

**FOREIGN OPERATIONS, EXPORT FINANCING,
AND RELATED PROGRAMS APPROPRIATIONS
FOR FISCAL YEAR 2005**

WEDNESDAY, APRIL 21, 2004

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:35 p.m., in room SD-124, Dirksen Senate Office Building, Hon. Mitch McConnell (chairman) presiding.

Present: Senators McConnell, Shelby, DeWine, Leahy, and Durbin.

**UNITED STATES AGENCY FOR INTERNATIONAL
DEVELOPMENT**

STATEMENT OF ANDREW S. NATSIOS, ADMINISTRATOR

DEPARTMENT OF STATE

**STATEMENT OF AMBASSADOR COFER BLACK, COORDINATOR FOR
COUNTERTERRORISM**

OPENING STATEMENT OF SENATOR MITCH MC CONNELL

Senator McCONNELL. The hearing will come to order. I want to welcome Mr. Natsios and Ambassador Black. Thank you for being here today. Our hearing is on foreign assistance and international terrorism, a topic of keen interest, not only to our subcommittee but to all the people in the world who are free and would like to remain so. Senator Leahy, I believe, is on his way. We will both make some opening remarks and then be followed by the two of you, first Mr. Natsios and then you, Ambassador Black. In the interest of time I'm going to ask our witnesses to summarize their remarks and then we will proceed to 5-minute rounds of questions and responses.

A final piece of housekeeping. Due to last minute travel requirements, HIV/AIDS Coordinator Tobias will be unable to participate in the April 28 hearing on the fiscal year 2005 HIV/AIDS budget request. Staff will be working with the State Department to reschedule the hearing for some time next month and we will make an announcement once that date has been reached.

I want to make a few brief historical reflections. Understanding the looming threat of the axis powers to America, President Roosevelt said in his Arsenal of Democracy speech in December 1940, that "no man can tame a tiger into a kitten by stroking it. There

can be no reasoning with an incendiary bomb. We know now that a nation can have peace with the Nazis only at the price of total surrender." So it is with the ongoing war on terrorism. Our current-day enemies are as ruthless as the Nazis and as devious as the kamikaze pilots who struck without warning, originally at Pearl Harbor and later when they crashed into our ships. From trains in Spain to nightclubs in Bali and Tel Aviv the terrorist hydra indiscriminately targets innocent men, women, and children in misguided jihad that pits fanaticism against freedom. To be sure there can be no armistice or peace treaty with terrorists. With the continued participation of other world democracies this scourge must be managed and controlled like the disease that it is. Our modern day arsenal of democracy is vast and potent. From precision-guided munitions to basic education programs in the Muslim world, America has at hand the tools and the capacity to militarily confront terrorism on foreign shores while simultaneously undermining social and economic conditions that offer terrorists safe haven and breeding grounds. And under President Bush we have tested and solid leadership. The weapons under this subcommittee's jurisdiction are numerous and include the obvious, the State Department's Anti-Terrorism Assistance Program and Terrorist Interdiction Program and the more subtle USAID's child survival and basic education programs. Although many advocate additional resources for foreign assistance programs it is clear this administration understands the importance of U.S. foreign aid in the war against terrorism.

PREPARED STATEMENT

Testifying on the fiscal year 2005 budget request before this subcommittee earlier this month, Secretary Powell indicated as follows: "to eradicate terrorism the United States must help create stable governments in nations that once supported terrorism, go after terrorist support mechanisms as well as the terrorists themselves, and help alleviate conditions in the world that enable terrorists to bring in new recruits." When it comes to the budget request, there may be a difference of dollars but not direction. We all know now that repression in Cairo and Riyadh translates into terrorism in New York, Virginia, and Pennsylvania.

Let me just close with an observation on Southeast Asia. With a highly combustible mix of corrupt and undemocratic governments and regional terrorist groups with linkage to Al Qaeda, that region may very well become our next front in the war on terrorism. The hydra has already appeared in the Philippines, Indonesia, Thailand, Malaysia, Singapore, and Cambodia. It is imperative that we provide sufficient resources to foreign assistance programs in that region—whether basic education in Jakarta or democracy promotion in Phnom Penh—to deny footholds for Islamic extremism. Should we fail to do so the results will be catastrophic for the region and for the world. Regional terrorists are undoubtedly aware of the massive flow of trade and oil through the Strait of Malacca.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MITCH MCCONNELL

I want to begin my remarks with a brief historical reflection.

Understanding the looming threat of the Axis powers to America, President Franklin Roosevelt said in his "Arsenal of Democracy" speech in December 1940 that "no man can tame a tiger into a kitten by stroking it. There can be no reasoning with an incendiary bomb. We know now that a nation can have peace with the Nazis only at the price of total surrender."

So it is in the ongoing war against terrorism.

Our current day enemies are as ruthless as the Nazis and as devious as the kamikaze pilots who struck without warning at Pearl Harbor. From trains in Spain to nightclubs in Bali and Tel Aviv, the terrorist Hydra indiscriminately targets innocent men, women and children in misguided jihad that pits fanaticism against freedom.

To be sure, there can be no armistice or peace treaty with terrorists. With the continued participation of other world democracies, this scourge must be managed and controlled like the disease that it is.

Our modern day arsenal of democracy' is vast and potent. From precision guided munitions to basic education programs in the Muslim world, America has at hand the tools and capacity to militarily confront terrorism on foreign shores while simultaneously undermining social, political and economic conditions that offer terrorists safe haven and breeding grounds. And under President Bush, we have tested and solid leadership.

The weapons' under this Subcommittee's jurisdiction are numerous and include the obvious—State's Antiterrorism Assistance Program and Terrorist Interdiction Program—and the more subtle—USAID's child survival and basic education programs. Although many advocate additional resources for foreign assistance programs, it is clear this Administration understands the importance of U.S. foreign aid in the war against terrorism.

Testifying on the fiscal year 2005 budget request before this Subcommittee earlier this month, Secretary Powell stated: "[t]o eradicate terrorism, the United States must help create stable governments in nations that once supported terrorism, go after terrorist support mechanisms as well as the terrorists themselves, and help alleviate conditions in the world that enable terrorists to bring in new recruits."

When it comes to the budget request, there may be a difference of dollars—but not of direction. We all know now that repression in Cairo and Riyadh translates into terrorism in New York, Virginia and Pennsylvania.

Let me close with an observation on Southeast Asia. With a highly combustible mix of corrupt and undemocratic governments and regional terrorist groups with linkages to al-Qaeda, that region may very well become our next front in the war on terrorism. The Hydra has already appeared in the Philippines, Indonesia, Thailand, Malaysia, Singapore and Cambodia. It is imperative that we provide sufficient resources to foreign assistance programs in the region—whether basic education in Jakarta or democracy promotion in Phnom Penh—to deny footholds for Islamic extremism.

Should we fail to do so, the results will be catastrophic for the region and the world. Regional terrorists are undoubtedly aware of the massive flow of trade and oil through the Strait of Malacca.

Senator MCCONNELL. With that, let me call on my friend and colleague, Senator Leahy, for his opening observations.

OPENING STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Thank you very much, Mr. Chairman. I'm pleased you're holding this hearing. Ambassador Black and Mr. Natsios, I appreciate both of you being here. You both have long and distinguished records in your fields and have been helpful to our committee.

I think a key question for us today is one that was posed by a top official of the Bush administration. He said: "Are we capturing, killing, or deterring more terrorists every day than the madrassas and the radical clerics are recruiting, training, and deploying against us?" I think it is a key question. That was Secretary Rumsfeld's question on October 16. It's a lot different than the everything is roses rhetoric than we've heard from many in the administration. I commend Secretary Rumsfeld for the statement. It was blunt, unpolished, and it was right on target. I think that question,

particularly the issue of deterrence, should be at the heart of our counterterrorism strategy.

As you both know, fighting terrorism involves a lot more than just force and interdiction. If that's all it took, with the most powerful military on earth, we would have already won. But I think that many of the administration's foreign policies are taking us in the wrong direction, and let me give you some examples of where I believe we're losing ground. The conflict between Israelis and Palestinians has enormous impact on how the United States is perceived in the Muslim world but I don't believe the President has invested, really, any political capital in solving the conflict. The road map is dead, the violence continues unabated and it's fueled the propaganda machines of Islamic extremists.

Iraq, after squandering the goodwill afforded us around the world after the September 11 attacks, we are floundering. The failure to find weapons of mass destruction has damaged our credibility. The commander of U.S. ground forces in Iraq, General Sanchez, has said Iraq is becoming a magnet for foreign terrorists. Other reports indicate that terrorist organizations around the world are using Iraq as a rallying cry for gaining new recruits. And while the President has talked about democracy and human rights, he speaks about changing the world, we are giving billions of dollars in aid to corrupt, autocratic regimes that are the antithesis of democracy and American values. Yet, we spend a pittance of what is needed to counter the powerful forces of Islamic extremism in key countries like Indonesia, the Philippines, and Malaysia, just to give some examples.

Ambassador Black and Mr. Natsios, a recent Pew Research Poll showed that the credibility and reputation of the United States has been badly damaged, especially in Muslim countries, as a result of our own policies. Now, your testimony, which I have read, I know you're just going to summarize it but it describes what you're doing to strengthen government institutions and win the battle for hearts and minds in countries that are vulnerable to terrorist networks. We want to help. But I'm telling you that while I'm sure there have been successes, and there have been, if you look at the big picture some of the President's policies are working against you and I don't think you're devoting enough resources to do the job. And I say this as one who has strongly supported efforts of this administration, as I have of past administrations, to get resources to areas where foreign aid can do some good.

Thank you. Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

Thank you Mr. Chairman for holding this hearing. Ambassador Black and Mr. Natsios, I appreciate you being here. I know you both have long and distinguished records in your fields.

I think a key question for us today is one that was posed by another top official of this Administration. He said, quote: "Are we capturing, killing or deterring more terrorists every day than the madrassas and the radical clerics are recruiting, training and deploying against us?" That was Secretary Rumsfeld's question on October 16, and it was notably different from much of the rhetoric we have come to expect from this Administration. It was blunt. It was unpolished. And it was right on target.

This question, and particularly the issue of deterrence, should be at the heart of our counter-terrorism strategy. As you both know, fighting terrorism involves more than force and interdiction. Unfortunately, I believe that many of this Administration's foreign policies are taking us in the wrong direction. Let me give you some examples of how I believe we are losing ground:

- The conflict between Israelis and Palestinians has an enormous impact on how the United States is perceived in the Muslim world. Yet, despite its importance, President Bush has invested almost no political capital in solving the conflict, the road map is dead, and the violence continues unabated—fueling the propaganda machines of Islamic extremists.
- In Iraq, after squandering the good will afforded us after the September 11 attacks, we are floundering. The failure to find weapons of mass destruction has damaged our credibility. The Commander of U.S. ground forces in Iraq, General Sanchez, has said the country is becoming a magnet for foreign terrorists, while other reports indicate that terrorist organizations are using Iraq as a rallying cry for gaining new recruits.
- At the same time the President talks about democracy and human rights—“changing the world” is how he put it—we are giving billions of dollars in aid to corrupt, autocratic regimes that are the antithesis of democracy and American values. And yet we spend a pittance of what is needed to counter the powerful forces of Islamic extremism in key countries like Indonesia, the Philippines, and Malaysia.

Ambassador Black, Mr. Natsios, a recent Pew Research poll showed that the credibility and reputation of the United States have been badly damaged, especially in Muslim countries, as a result of our own policies.

Your prepared testimony describes what you are doing to strengthen government institutions and win the battle for hearts and minds in countries that are vulnerable to terrorist networks. We want to help. But what I am telling you is that, while I am sure there have been successes, if you look at the big picture, some of the President's policies are working against you, and you are not devoting enough resources to do the job.

Senator MCCONNELL. Mr. Natsios, why don't you go ahead and we'll put your full statement in the record. If it's too lengthy, I would ask you to summarize.

Mr. NATSIOS. Thank you. Does this go on automatically?

Senator LEAHY. You can press the button right in front of you. The light will go on if it's on.

SUMMARY STATEMENT OF HON. ANDREW S. NATSIOS

Mr. NATSIOS. I do have a longer statement for the record, Mr. Chairman, which I would like put in the record, and I will read a summarized version.

It is a privilege for us to be here today to discuss the efforts of both the State Department and USAID to combat terrorism. President Bush said defeating terrorism is our nation's primary and immediate priority; in a word it is this generation's calling. The war on terrorism has led to a broadening of USAID's mandate and has thrust the Agency into situations that go beyond its traditional role of humanitarian aid and development assistance.

In both Iraq and Afghanistan, USAID has stood in the frontlines of important battles in the new war. The USAID's initiatives are helping the people of Iraq and Afghanistan reclaim their societies and together we're laying the groundwork for their rebirth. Through the end of the cold war and the challenges that now face USAID have prompted the most thoroughgoing reassessment of the country's development mission since the end of World War II, when the reconstruction of Europe began. We are responding with a new understanding of the multiple goals of foreign assistance, specifically we now have reformulated what we do into five distinct, broad challenges.

BROAD CHALLENGES OF FOREIGN AID

First is supporting transformational development. Second is strengthening fragile states and reconstructing failed states. Third is supporting U.S. geo-strategic interests. Fourth is addressing transnational problems and fifth is providing humanitarian relief in crisis countries. Let me go through each of these to describe how that relates to the goal of combating terrorism.

First, supporting of transformational development. It is the mission of USAID to shore up the democratic forces in a society and to help bring economic reforms that have the most effective antidote to terrorist threats. The President's Millennium Challenge account, in fact, fits very much into this category, and we're working with a number of countries that are threshold countries. They will probably not make MCC status, according to the indicators, but they are on the edge of making it and we want to help them get through the 16 indicators so they do qualify. And that's a category of countries that are about to take off in terms of development. They're pretty functional countries but they're very poor, and they need help to take off at high rates of economic growth.

The second is strengthening failed and fragile states. The President's national security strategy underscores the changed dynamics of the post-cold war world. Today, weak states, it says, pose a greater danger to our national interests than strong states do. We are dealing with this consequence today. There is perhaps no more urgent matter facing AID's portfolio than fragile states, and no set of problems more difficult and intractable. I might add that the bulk of the states we deal with are either failed or fragile states now, the 80 countries in which we have USAID missions. It is no accident that the three countries which hosted headquarters Al Qaeda were failed states; first Somalia, then Sudan and then Afghanistan. That is not an accident.

The third category is supporting U.S. geo-strategic interests. Aid is a potential leveraging instrument that can keep countries allied with U.S. policy. It also helps them in their own battles against terrorism. For example, while it is vital that we keep a nuclear-armed Pakistan from failing and allied with us in the war on terrorism, we must also help Pakistanis move towards a more stable, prosperous, and democratic society.

The fourth category is addressing transnational problems, such as HIV/AIDS, infectious disease, international trade agreements and various efforts to combat criminal activities to support terrorism.

The final category is a historic one for USAID and the U.S. Government, and that is humanitarian aid and disaster relief. There is a moral imperative, and that has not changed, to provide assistance to people's basic needs. We must, however, do a better job of combining this assistance with longer-term development goals.

I want to be clear in my remarks today. I do not believe terrorism is simply caused by poverty. The clear analysis shows that there is no necessary relationship. There are very poor countries that have no terrorism, there are middle income countries that do. I do believe, however, that there are certain conditions that encourage terrorist networks and spread their influence. Among these are

geographic isolation of people; a lack of economic opportunity and large levels of high unemployment; weak institutions and governance; a lack of financial transparency in their private banking sectors and poor educational systems. Many of these issues are related and overlapping, but I'd like to discuss each of them briefly to show how they relate to our ability to make contributions in the war against terrorism.

GEOGRAPHIC ISOLATION

First is geographic isolation. I would commend a book written by my friend, Ahmed Rashidi, a journalist for the Far Eastern Economic Review; he's a Pakistani scholar and journalist. He wrote a book called "The Taliban," which is the best book on the Taliban. It was written before 9/11. And what he describes is fascinating, because the connection between the terrorist threat, the isolation in the most remote areas of Pakistan and Afghanistan, to the Al Qaeda networks and the relationship between the madrassas along the border between the countries is directly related to the rise of Taliban and Al Qaeda in Afghanistan.

Building roads has been an extremely effective means of combating the effects of geographic isolation. We signaled this last year when we completed a 379 kilometer highway that connects Kabul to Kandahar; we're now building the rest of it with the Saudis and the Japanese, between Kandahar and Herat. We did this in 13 months. Having run the Big Dig in Boston, I can tell you this is almost unimaginable what we built, a 379 kilometer highway through the middle of this heartland of Al Qaeda and Taliban, in the middle of a war and got it done in 13 months. The restoration of the road was one of President Karzai's overriding priorities. Everybody, including school children, know about the road. When I was down cutting the ribbon with Hamid Karzai, I went down to Kandahar, I asked 6-year-old kids: "Do you know about this highway?" They said: "Everybody knows about the highway." I said: "Who built the highway?" They said: "The Americans built the highway." So it's very well known that it exists. It is a symbol of what can happen when there is development going on in a society.

We're also sponsoring very innovative radio programming to restore communications infrastructure, private sector radio stations, in Afghanistan. In a similar vein, USAID has funded a so-called Last Mile Initiative, which will bring rural and isolated populations around the world into the information age via connection to the Internet.

ECONOMIC GROWTH AND JOB CREATION

Third is the lack of economic growth and job creation. We have learned that countries become vulnerable and subject to terrorist subversion when there are high rates of unemployment, particularly among young men between the ages of 15 and 35. You can look at actually a demographic analysis of societies. If 70 percent of the population is over 25 and there are low rates of unemployment, the incidence of terrorist groups and the incidence of militias, which are outside the control of the central government, tend to diminish dramatically. And if you have the inverse statistic you have a serious problem. It is the case that militias are recruited

from the ranks of restive and unemployed youth who are easily seduced into criminal activity. Our interventions in post-conflict countries have focused on various quick impact projects that generate employment as they help rebuild communities. We are using a variety of programs that address the economic isolation that is imposed on them by law and custom, by tenuous rights to property, multiple impediments to the creation of productive enterprise and disenfranchisement. One of the most important aspects of our strategy to address the lack of economic opportunity has been trade capacity building, because trade equals jobs equals lower unemployment rates.

GOVERNANCE ISSUES

Weak institutions and poor governance. The terrorist threat also correlates closely with governance issues. Our development programs are firmly committed to building networks of schools and health clinics and seeing that they are competently staffed. In Afghanistan, Iraq, and elsewhere we are installing management systems and teaching skills that will modernize key government ministries. For example, in Afghanistan right now, 1,000 people are on the staffs of the central ministries that are paid for by USAID. Eight hundred and seventy of them are Afghans with college degrees who have worked with international institutions, or NGOs, before their entrance, and we hired them jointly, very carefully—120 of them are expatriates. They are in the ministries; these are not people working for USAID and the Mission. We pay their salaries; they are the force to stand up competent ministries to develop public services. So the government is competent in administering services. Other programs, as in Cambodia, seek to foster competent political parties, political institutions at the national and local level, judicial reform and the protection of human rights.

Terrorism also breeds in places where the government is present but is gripped by corruption. We're beginning to mount a more worldwide assault on endemic, parasitic corruption of elites which, among other things, short circuits effective development and deepens the resentments that terrorists so effectively mine. Weak financial systems also contribute to the problem of terrorism by allowing the movement of money between institutions and groups without any oversight.

There is also a problem of choking off criminal activities like opium and poppy production. Much of the revenue in Afghanistan that fueled Al Qaeda and Taliban was provided by the heroin trade; 70 percent of the production of heroin in the last 10 years has been from Afghanistan. Our experience in fighting cocoa production in Peru, Bolivia, and Colombia has shown us that the only effective strategy to literally clear the ground for licit and legal crops that will feed the nation is aggressive eradication on one side and then alternative development programs on the other that provide a means for family incomes.

EDUCATION AND TRAINING

The lack of education and training. We believe that in the longer term education is one of the most potent weapons against terrorism. To that end we have designed programs specifically for the

Muslim world that respond to the challenges posed by the madrassas that preach radical forms of Islam. One approach focuses on improving the performance of secular education systems. We share the view with more enlightened Muslims that see the participation of women as a key to modernization, and our education programs are designed to emphasize this objective.

Finally, we would like to emphasize that the presence of our missions and embassies in a host country can be a powerful educational force as well as a potent counterweight to the presence of terrorism and anti-Americanism. I'd like to cite that of the 8,000 people who work for USAID—we have 2,000 direct hires, but 8,000 employees total—4,000 are former foreign service nationals. They are not Americans. They are Brazilians, they are Peruvians, they are Ugandans, they are Jordanians, and they work as a cadre of development experts, many of them have PhDs or law degrees or they're experts in their disciplines in their countries. Many of them have worked for USAID for a couple of decades. They are our links into the community at the grassroots level but they also have used USAID as a way of learning American values and American systems, and I am proud that legions of these graduates, from our FSN workforce, have now gone on to ministerial posts. I would add that the new vice president of El Salvador, just elected 2 weeks ago, is a former FSN with USAID in El Salvador. The minister of agriculture in Guatemala stopped me 2 years ago at a conference and thanked me because for 10 years he was an FSN with our agriculture program in Guatemala. He was the minister of agriculture, I don't know if he still is. But we find this all over the world, that people who used to work for USAID now are in ministries as ministers, as prime ministers, as heads of NGOs and universities.

PREPARED STATEMENT

I want to close with one point. We at USAID are the chief instrument of what some people call the Nation's soft power. I'm not fond of the phrase because it unintentionally implies weakness, and it is the opposite of that. In any case, the President signaled the importance of what we do when he called development a critical part of the triad of foreign policy instruments. Last week he reminded us that the war on terrorism is imminently winnable but it will be long and tough. He has also referred to it as an unconventional war that will require a large measure of old fashioned resolve and fortitude as well as new thinking. He has charged my Agency with new challenges and unprecedented responsibilities. I consider it our most important calling. Foreign assistance is one of our nation's best offenses against terrorism and instability now and in the long term.

Thank you very much.
[The statement follows:]

PREPARED STATEMENT OF HON. ANDREW S. NATSIOS

Chairman McConnell, members of the subcommittee: It is a privilege to be here today to discuss the efforts of the U.S. Agency for International Development to combat terrorism.

September 11 and the war on terrorism have brought the most fundamental changes to this country's security strategy since the beginning of the Cold War. This was the theme that Secretary of State Colin Powell brought to Congress in multiple

testimonies this month and last. Recent events in Madrid—as in Indonesia, Morocco, the Philippines, Turkey, Uzbekistan, and Pakistan, among other places—underscore the urgency of his remarks and the global nature of this challenge. As President Bush said: “Defeating terrorism is our nation’s primary and immediate priority.” In a word, it is this generation’s “calling.”

This country is no longer tasked with managing a global political chessboard with two blocs of opposing armies and alliances. We face a challenge that is much more complex.

In September 2002, President Bush unveiled his National Security Strategy to address the unprecedented challenges that are facing the nation. It outlined the new direction in foreign policy that was required to respond effectively to what occurred the previous September. Among the tools that would be engaged in the new war was “development.” Indeed, it was elevated as a “third pillar” of our foreign policy, along with defense and diplomacy. The global war on terror is the arena in which foreign aid must operate. This requires USAID to acknowledge its mission is broader than the traditional humanitarian and development response. We are challenged increasingly to deal effectively with failed states, transnational problems, and geostrategic issues.

In February of last year, the Administration issued the National Strategy on Combating Terrorism, which laid out a “4D strategy” in the War on Terror: (1) defeat the terrorists, (2) deny them resources and state sponsorship, (3) diminish the underlying conditions that terrorists seek to exploit, and (4) defend U.S. citizens and interests at home and abroad. USAID’s programs aim directly at both denying terrorists resources and diminishing the underlying conditions that terrorists exploit.

In both Iraq and Afghanistan, USAID has stood in the front lines of the most important battles in the new war. The outside world has little understanding of the devastation—physical and psychological—that these societies had suffered from decades of predatory and tyrannical governments and political fanaticism. USAID initiatives are helping the people of Iraq and Afghanistan reclaim their societies and together we are laying the groundwork for their rebirth.

Our country’s post-war reconstruction efforts in Iraq are critical to the broader war on terror and remain a central priority of the Agency. Our achievements are significant, especially in light of the security situation and the desperate and ongoing efforts of some to disrupt our progress.

To check the forces of terror and bring peace and stability to this dangerous region of the world, USAID is committed to the President’s goal of seeing democratic governments come to Afghanistan and Iraq. It is a historic commitment that is rivaled only by the Marshall Plan, to which my Agency traces its origins.

The new challenges have prompted some of the more important internal reforms I have brought to USAID. A bureau of the Agency formerly focused on humanitarian crisis has been redesigned to deal with the vulnerability of contemporary societies to conflict and breakdown as well as the shoring up of democratic governance around the world. The Office of Conflict Management and Mitigation has been created to provide analytical and operational tools in order to sharpen our responses to crises by better understanding the motivations, means, and opportunities for violent conflict to thrive.

Terrorists frequently thrive within an atmosphere of chaos. Conflict and state failure serve the purposes of terrorists by providing them with an opportunistic environment in which to operate. Regimes that are closed—politically and economically—foment a sense of hopelessness and multiply the number of aggrieved, who become easy recruits to the terrorist cause. It is the mission of my Agency to shore up the democratic forces of society and to help bring the economic reforms that are the most effective antidote to the terrorist threat and its appeal. We understand that this is not going to happen overnight and that our contributions are necessary but not sufficient alone: a fact clearly pointed out in the President’s National Strategy for Combating Terrorism. The war on terror will be a long one, as the President reminds us, and it will take both resolve and long-term commitment.

USAID’s higher profile in our foreign policy initiatives since the war on terror began can be measured in budgetary terms. The commitment to the Agency has been substantial and growing as we administer funds from a number of Foreign Affairs accounts. In fiscal year 2003, for example, we administered a nearly \$14.2 billion portfolio, including supplemental funds for Iraq, which is up from \$7.8 billion in fiscal year 2001. We are proud of this vote of confidence and anxious to make good on our daunting responsibilities.

The end of the cold war and the challenges that now face USAID have prompted the most thoroughgoing reassessment of the country’s development mission since the end of the Second World War. We are responding with a new understanding of

the multiple goals of foreign assistance. Specifically, USAID now faces five distinct challenges:

- Supporting transformational development
- Strengthening fragile states and reconstructing failed states
- Supporting U.S. geo-strategic interests
- Addressing transnational problems
- Providing humanitarian relief in crisis countries

You may notice that “conducting the war on terror” is not one of the Agency’s core goals. Each of these goals, however, is vitally relevant to what the President has called this nation’s “primary and immediate priority.” Let me take a moment to outline these challenges.

Supporting transformational development.—In the developing world, USAID supports far-reaching, fundamental changes in institutions of governance, human services such as health and education, and economic growth. Through this assistance, capacity is built for a country to sustain its own progress. While these efforts have long been justified in terms of U.S. generosity, they must now be understood as investments in a stable, secure, and interdependent world.

Strengthening failed and fragile states.—The President’s National Security Strategy wisely recognizes the growing global risks of failing states when it said: “The events of September 11, 2001 taught us that weak states . . . can pose as great a danger to our national interests as strong states . . . poverty, weak institutions and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders.” The failure of states such as Zaire, Afghanistan, Lebanon, Bosnia, Somalia, Liberia had repercussions far beyond their own regions. We are dealing with the consequences today.

There is perhaps no more urgent matter facing USAID’s portfolio than fragile states and no set of problems that are more difficult and intractable. USAID has extensive experience in conflict and post-conflict situations, which uniquely equip us to play a constructive role in achieving stability, reform, and recovery in fragile states. I offer our experience in the Sudan as illustrative.

USAID boasts unparalleled expertise in Sudanese affairs. Our staff has spearheaded strategic interventions that have brought pockets of peace and intervals of tranquility which have allowed our humanitarian missions to move forward and peace to gain traction. They have helped coordinate policies with other nations that have brought this country to the doorstep of peace after more than a generation of civil war. Our goal is to bolster the peace, provide humanitarian relief, and spur recovery in order to maximize incentives for further development and now it is up to the Sudanese government and warring parties to pursue this path of opportunity that the U.S. government and other donors have helped to open.

Supporting U.S. geo-strategic interests.—Aid is a potent leveraging instrument that can keep countries allied with U.S. policy. It also helps them in their own battles against terrorism. Our tasks today however, are broader and more demanding than just winning the allegiance of key leaders around the world. For example, while it is vital that we help keep a nuclear armed Pakistan from failing and allied with us in the war on terrorism, we must also help Pakistanis move toward a more stable, prosperous, and democratic society. Our support for reform of Pakistan’s educational system and its political institutions is critical in this regard.

Addressing transnational problems.—Global and transnational issues are those where progress depends on collective effort and cooperation among countries. Examples include HIV/AIDS and other infectious diseases, international trade agreements, and certain criminal activities such as trafficking in persons and the narcotics trade. USAID will continue to play a leading role on these issues, working with countries to help them address these problems so that they do not slip into instability and failure.

Providing humanitarian relief.—The United States has always been a leader in humanitarian aid and disaster relief. We are the largest contributors of food aid that have fed the hungry and combated famine around the world. This is a moral imperative that has not changed. We must, however, do a better job of combining such assistance with longer term development goals. And we must make sure that the recipients are aware of help and U.S. generosity. This is particularly important in areas of the world subjected to anti-Americanism and terrorist propaganda.

I want to be clear. I in no way believe that terrorism is simply caused by poverty. Osama Bin Laden was by no means from a deprived background, nor were the perpetrators of 9/11. I do believe that there are certain conditions that are propitious to terrorists and their cause. Among these are: isolation, a lack of economic opportunity, weak institutions and governance, a lack of financial transparency and poor educational systems. Many of these issues are related and overlapping, but I’d like

to discuss them each briefly, and outline some of our endeavors in these areas and the critical contributions they make to waging an effective war on terrorism.

(1) *Isolation.*—As the experience in Afghanistan indicates, remote and isolated areas of poorer countries are the most fertile grounds of terrorist fanaticism. These continue to be the strongholds of the Taliban.

Building roads has been an extremely effective means of combating the effects of isolation. USAID's signal achievement last year was the rehabilitation of 389 kilometers of road that connects Kabul with Kandahar, an unprecedented engineering feat given the constricted time frame and insurgency threats. Approximately 35 percent of Afghanistan's population lives within 50 km of the highway, much of this agrarian and rural. Plans are being implemented to extend it to the city of Herat, where it will then arc back and reconnect with Kabul in one complete circuit.

Restoration of the road has been one of President Karzai's overriding priorities. It is crucial to extending the influence of the new government, now endowed with democratic legitimacy and bent on a new start for the country. When complete, it will help end the isolation that has sheltered the Taliban and fed terrorist insurgency. It will stimulate development and reconnect the country to a larger network of regional trade.

I am convinced that development has generally gotten off track in abandoning its commitment to road building, particularly in rural areas. Short term, it generates employment; long term, it serves development. In connecting more remote regions to the capital cities, it also spreads the modernizing forces of urban life to the hinterlands. And in places like Afghanistan or Pakistan, this can make a significant contribution to the war on terror. In other places like Nepal where we built roads decades ago, recent evaluations have shown that they have had an enormous impact in opening access to remote areas and countering the impact of insurgent groups.

Radios are another example of how we combat isolation. Afghanistan has a radio culture. USAID has restored radio transmission towers. It has also funded innovative programming and provided the capital to build private radio stations. For example, Radio Kabul has broken new ground with a program that appeals to the music tastes and concerns of the young, featuring a mix of female and male disk jockeys that are representative of the diverse ethnic groups in Afghan society. Such things were unimaginable under the Taliban and the programming popularity is testament to the country's new ethos.

In a similar vein, USAID is funding the so-called "Last Mile" initiative, which will bring rural and isolated populations into the information age via connection to the internet. Increased development and trade opportunities for such areas can also be pursued through such linkages to the outside world.

(2) *Lack of economic growth and job creation.*—We have learned that countries become vulnerable and subject to terrorist subversion when there are high rates of unemployment, particularly among males aged 15–35. This has been confirmed time and again by our experiences with fragile and failing states. Militias recruit from the ranks of restive and unemployed youths who are easily seduced into the criminal activities that support terrorism.

Our interventions in such countries have focused on various quick impact projects that generate employment as they help rebuild communities. In channeling the productive energies of such peoples, these programs also provide visible signs of hope that can counter the call of those who base their appeals on a sense of hopelessness. Indeed, programs such as "food for work" may be the only means of survival for backward or war-devastated communities. As we found out in Afghanistan, this is what stood between desperation and reliance on Taliban "charity."

The most potent weapon against terrorism, however, will come not from external aid but from the internal development of such societies. USAID is using a wide variety of programs that address the economic isolation that is imposed on them by law and custom, tenuous rights to property, multiple impediments to productive enterprise, and disenfranchisement. We take inspiration from the work of Hernando De Soto who seeks to integrate the untapped talents and tremendous energies of the marginalized by bringing them into the mainstream of their nation's economy. And we apply the lessons from the work of Michael Porter who seeks to unlock the potential latent in national economies by creating local conditions that foster business and job creation.

One of the most important aspects of our strategy to address the lack of economic opportunity has been trade capacity building activities. This includes supporting trade negotiations and helping countries take advantage of the opportunities for trade. Complementing our efforts in the World Trade Organization and in support of the Africa Growth and Opportunity Act, our trade capacity building programs help integrate countries into the world trading system. Our programs which support our trade negotiations from Central America to Southern Africa and beyond will

help countries: a) implement the free trade agreements, furthering the rule of law and improving transparency, and b) benefit from the opportunities offered by those agreements.

In order for trade agreements to translate into investment opportunities, developing countries must have a sound business climate. In much of the developing world, however, it remains difficult to start and run a business. We are addressing some of the key issues related to property rights, contract enforcement, and rule of law—that are part of the enabling environment that allows businesspeople, investors, and farmers to build private enterprises and create wealth.

Another example is a report from Mindanao in the Philippines, where USAID has been working to provide economic opportunities and permanent private sector jobs for members of an insurgent group. Unsolicited, this prompted another armed group to offer to turn in their guns for a jobs program like the USAID program in a neighboring village. This is the kind of demand these programs can generate.

There is also the problem of choking off criminal activities like opium and poppy production that provides the livelihood for many people in different regions. Our experience in fighting cocoa production in Peru, Bolivia, and Colombia has shown us that the only effective strategy is to literally clear the ground for the licit crops that will feed the nation while aggressively pursuing eradication of the others.

In eradicating poppy, we eradicate what is a major source of funding for terrorists. We are also addressing what has turned into a plague for the region. While poppy was cultivated for export to the West as a weapon to undermine the fabric of society there, it has caused a raging addiction problem in Pakistan, Afghanistan, and Iraq.

(3) *Weak Institutions and Poor Governance.*—The terrorist threat also correlates closely with governance issues. This has a geographic dimension, when, typically, institutions of government and the services they provide have only the most tenuous presence in areas outside the capital. Where food is scarce and health service is minimal, the religious schools called madrassas will fill the void. USAID has made fortifying agriculture and reviving rural economies a priority. Our development programs are firmly committed to building networks of schools and health clinics and seeing that they are a competently staffed. In Afghanistan, Iraq and elsewhere, we are installing management systems and teaching the skills that will modernize key government ministries. Other programs seek to foster competent political parties, parliaments, local government and judicial systems which ensure the rule of law.

Building and strengthening institutions has been at the center of our efforts in Afghanistan. We are supporting the electoral process, providing assistance for voter registration, political party development, and civic education. We are also expanding our rule of law program so that a new Constitution can be enforced and are heavily involved in supporting educational institutions at different levels and through a broad range of activities. In almost every country where USAID works, building up institutional capacity—whether it's supporting the Bank of Indonesia or the Indonesian Attorney General's office ability to combat money laundering or strengthening rule of law in Columbia—is central to our approach.

Terrorism also breeds in places where the government is present but is gripped by corruption. USAID considers the issue of corruption as central to our development mission. I have commissioned an agency-wide anti-corruption strategy which will move USAID's commitment to fighting corruption into all appropriate facets of agency operations. We have supported Transparency International almost from its inception and we work with a host of related NGO's in the field. We are developing innovative strategies in Washington and the field to counter the petty corruption that demoralizes the citizenry and encumbers their activities. The economic drag from such practices is literally incalculable.

We are also beginning to mount a more serious assault on the endemic, parasitic corruption of elites which, among other things, short-circuits effective development and deepens the resentments that terrorists so effectively mine. In making democratic change central to our foreign policy initiatives, we are not merely advancing a core value of our society but the most effective instrument of social regeneration in closed and corrupt regimes.

(4) *Weak Financial Systems.*—Related to weak governance is the problem of weak financial institutions and lack of financial transparency. Of particular significance to the war on terrorism are our efforts to reform banking and financial systems and install proper auditing practices that will track the monies that serve criminal activities and feed terrorist networks. Assistance efforts have helped pass legislation, set up financial crimes investigative groups, and trained bank examiners to identify and report suspicious transactions.

(5) *Lack of Education and Training.*—We believe that in the long-term, education is one of our most potent weapons against terrorism. To that end, we have designed

programs specifically for the Muslim world that respond to the challenge posed by radical Islamism. One approach focuses on improving the performance of the secular educational system, to help it compete more effectively with radical schools. Radical schools have been particularly successful in countries where the public school system has deteriorated, leaving an educational vacuum. This has been dramatically illustrated in Afghanistan and Pakistan. We share the view of more enlightened Muslims that see the participation of women as key to modernization. And our educational programs are designed with due emphasis to this goal.

Finally, I would like to emphasize that the very presence of our Embassies and Missions in a host country can be a powerful educational force as well as a potent counterweight to the presence of terrorism and anti-Americanism. Secretary Powell last year paid tribute to our missions as among the best exemplars of American values and among the nation's most effective "ambassadors."

I would also like to cite the over 4,000 Foreign Service Nationals that work for USAID. I have been thanked by them on numerous occasions in my travels and they frequently express their gratitude for the "educational experience" that USAID afforded them. In addition, I believe that the impact of our training programs has been enormous. I am proud that among the legions of "graduates," both of our educational programs and of our foreign service national workforce (FSN), many have gone on to ministerial posts and other positions of influence in their countries. We welcome the vice-president of El Salvador as one, a former USAID FSN installed in office several weeks ago in what, from a United States point of view, was a most promising election for the people of her country and inter-American relations.

I want to close with the following point. We at USAID are the chief instrument of what some call the nation's "soft power." I am not very fond of the phrase because it unintentionally implies weakness. In any case, the President signaled the importance of what we do when he called "development" a critical part of a triad of foreign policy instruments. Last week, he reminded us that the war on terrorism is eminently winnable, but that it will be long and tough. He has also referred to it as an "unconventional" war, one that will require a large measure of old fashioned resolve and fortitude as well as new thinking. He has charged my Agency with new challenges and unprecedented responsibilities. I consider it my most important task to respond to this "calling." U.S. Foreign Assistance is our nation's best offense against terrorism and instability now and in the long term.

This concludes my testimony, Mr. Chairman. I will be happy to answer any of your or the Committee's questions.

Senator McCONNELL. Thank you, Mr. Natsios. Ambassador Black.

SUMMARY STATEMENT OF HON. COFER BLACK

Ambassador BLACK. Thank you very much, Chairman McConnell, Senator Leahy, and distinguished members of the subcommittee. Thank you very much for this opportunity to testify today at your hearing on foreign assistance and international terrorism.

This hearing is appropriate and timely in addressing the State Department's specific counterterrorism programs and USAID development programs in the context of the U.S. Government's overall strategy to assist other countries. It is essential to consider these efforts together rather than narrowly viewing individual programs that respond to various regional or global threats. Today's hearing should reinforce the fact that international programs fundamentally contribute to our goals of diminishing the underlying conditions that spawn terrorism while thwarting and capturing terrorists before they can strike us and our allies overseas.

Resources are lifeblood as we prosecute the global war on terrorism. Many countries function as our allies in this effort but a number of these prospective partners are faced with relatively weak institutions and capabilities. Before I describe the variety of State Department programs, and I'll try to be short, to improve the capabilities and institutions of our international partners, I first

want to thank you and your colleagues for your subcommittee's support for these programs. We greatly appreciate your subcommittee's support for the administration's full fiscal year 2004 appropriations request for anti-terrorism programs funded through the Nonproliferation, Anti-Terrorism, De-mining and Related Programs account. I sincerely hope that your mark-up of the fiscal year 2005 request will be equally supportive and that your colleagues in the House will follow this example.

Administrator Natsios has described the scope of USAID programs briefly. To strengthen the institutions in our partner countries these efforts are a complimentary backdrop to the programs we pursue at State. In many of the countries where we work the overall institutions of government and society are not sufficiently robust for the task of aggressive counterterrorism programs. We cannot expect countries to be effective in deterring, detecting, and capturing terrorists if their security guards and policemen are barely literate and poorly paid and susceptible to bribes, their investigators, prosecutors and the judges are poorly trained and their basic communications infrastructure is weak or virtually nonexistent. In order to develop these institutional capabilities fully, countries need a functioning educational system to develop qualified personnel. Institution building requires laws to provide the necessary legal framework for investigating, pursuing, apprehending and prosecuting terrorists. Countries even need radios, computers and other communications equipment that will allow foreign counterterrorism officials to exchange information real-time.

When we strengthen the institutions of our partners we move less-developed countries closer toward their full potential in combating terrorism. At the same time we must encourage our international partners to provide resources and expertise in support of this goal.

Mr. Chairman, let me turn briefly now to some of our specific counterterrorism programs. The administration is requesting \$128 million in the NADR account to meet the Anti-Terrorism Training Assistance Program's growing requirements. My office provides policy, guidance and funding to the Department of State's Bureau of Diplomatic Security Office of Anti-Terrorism Assistance, ATA. The highest priority for assistance remains in the southern crescent countries, which extend from East Asia through Central and South Asia to the Middle East and to particularly vulnerable East African countries. In this request, \$25 million is specifically intended for programs in Indonesia, Afghanistan, Pakistan, Kenya, and Colombia.

The ATA program provides a wide range of courses to strengthen the counterterrorism capacities of recipient countries. The Department works closely with U.S. embassy officers, especially regional security officers, to develop a tailored training package to meet each recipient country's needs. The training includes courses on hostage negotiation, bomb detection, and airport security, all of which are currently relevant to the threats and events we've witnessed in the past year.

The administration is also requesting \$5 million for the Terrorist Interdiction Program, or TIP. TIP is designed to enhance border se-

curity of countries confronted with a high risk of terrorist transit. Through this program priority countries receive a sophisticated database system and training support to identify and track suspected terrorists as they enter and exit at ports of entry. TIP is currently operational in 18 countries. The requested funds will be used for TIP installations in up to six new countries and continued work and maintenance on existing installations. The administration is requesting \$500,000 to strengthen international cooperation and to advance United States and international goals and to stimulate the analytical and problem solving skills of senior officials in countries that currently confront the terrorist threat.

We're also requesting \$7.5 million to support programs that combat terrorist financing. Understanding—

Senator MCCONNELL. Excuse me, Ambassador Black.

Ambassador BLACK. Yes sir?

Senator MCCONNELL. Are you near the end of your opening statement?

Ambassador BLACK. Yes sir, I am.

Senator MCCONNELL. Okay, great.

Ambassador BLACK. I can stop right away if you like, sir.

Senator MCCONNELL. I want to assure you, if it's any help, that I've read your statement.

Ambassador BLACK. Okay

Senator MCCONNELL. I appreciate having it read to me again but I can read.

PREPARED STATEMENT

Ambassador BLACK. Okay. I certainly did not mean to suggest that, sir. Anyway, we have a spectrum of programs that we think are crucial in the global war on terrorism. They provide an underlayment in terms of the anti-terrorism assistance program to the interdiction program to our diplomatic initiatives with other countries so that we can build the capacity and the will to fight terrorism.

If that's all right with you, Mr. Chairman, I think it's probably best I stop right there.

[The statement follows:]

PREPARED STATEMENT OF HON. COFER BLACK

Chairman McConnell, distinguished Members of the Subcommittee, thank you for the opportunity to testify today at your hearing on "Foreign Assistance and International Terrorism."

This hearing is appropriate and timely in addressing the State Department's specific counterterrorism programs in the context of the U.S. Government's overall efforts to assist other countries, rather than programs that respond to various regional or global threats. Today's hearing should reinforce the fact that international programs fundamentally contribute to our goals of diminishing the underlying conditions that spawn terrorism and trying to capture and thwart terrorists before they can strike us and our allies overseas.

Resources are lifeblood as we prosecute the Global War on Terrorism. Many countries are willing to cooperate in the Global War on Terrorism, but many of these prospective partners are faced with relatively weak institutions and capabilities. Before I describe the variety of these programs to improve the capabilities and institutions of our international partners, I first want to thank you and your colleagues for your Subcommittee's budgetary support for the programs. We greatly appreciate your Subcommittee's support for the Administration's full fiscal year 2004 appropriations request for Anti-Terrorism programs funded through the Nonproliferation,

Anti-Terrorism, Demining and Related Programs (NADR) account and we applaud your efforts to restore at least some of the cuts made by the House last year. Your action recognizes and underscores the essential role of international programs in the ongoing effort to combat terrorism. I sincerely hope your markup of the fiscal year 2005 budget request will also be equally supportive and that your colleagues in the House will follow this example.

My colleague, USAID Administrator Natsios, has described the broad Agency for International Development programs to strengthen the institutions in our partner countries. These programs are a complementary backdrop to the programs we pursue at State.

Institution Building for CT Programs.—While the State Department's counterterrorism programs focus on developing specific skills, we recognize that in many of the countries where we work, the overall institutions of the government and society are not sufficiently robust for the task of aggressive counterterrorism programs. For this reason, institution building is not an abstract or academic concept. Institution building begins with having laws in place to provide the necessary legal framework for investigating, pursuing, apprehending, and prosecuting terrorists. It requires capable and motivated law enforcement personnel, investigators and prosecutors and judges. Therefore, aside from the many other benefits that may accrue from our foreign assistance programs, the U.S. Government must consider the status of a country's social institutions and our role in enhancing those capabilities to support the Global War on Terrorism.

Foreign Assistance Programs Support CT Programs.—We cannot expect countries to be effective in deterring, detecting and capturing terrorists if their security guards and policemen are barely literate, poorly paid and susceptible to bribes, if the investigators, prosecutors and judges are poorly trained, and if the basic communications infrastructure is weak or virtually non-existent. In order to develop these institutional capabilities fully, countries need a good educational system to develop qualified personnel and even radios, computers, and other communications equipment that will allow foreign counterterrorism officials to exchange information in real time. We must do what we can to strengthen the institutions of our partners and thereby move less developed countries closer toward their full potential in combating terrorism. At the same time, we must also encourage our international partners to provide resources and expertise in support of this goal.

Mr. Chairman, let me turn now to some of our specific counterterrorism programs.

STATE DEPARTMENT COUNTERTERRORISM PROGRAMS

Antiterrorism Training Assistance (ATA).—For fiscal year 2005, the Administration is requesting \$128 million in the NADR account to meet the ATA program's growing requirements. Of this amount, \$25 million is specifically requested for programs in Indonesia, Afghanistan, Pakistan, Kenya, and Colombia. The ATA program was among the first specific counterterrorism programs funded at State, initially authorized in late 1983. It continues to serve as the primary provider of U.S. Government antiterrorism training and equipment to the law enforcement agencies of friendly countries needing assistance in the Global War on Terrorism. My office, the Office of the Coordinator for Counterterrorism (S/CT), provides policy guidance and funding to the Department of State's Bureau of Diplomatic Security Office of Antiterrorism Assistance (DS/ATA), which implements the program. My office determines the relative priority for select countries to receive a given type of training. If a country must be assigned a higher priority because of specific problems, we will do so. It is important to keep in mind that we receive far more requests for ATA training than we can accommodate in a year, and there are always countries waiting for the benefits of this program. Once the prioritization process is completed, our colleagues in DS/ATA then work out the details of the training schedules and make the arrangements.

The ATA program provides a wide range of courses to strengthen the counterterrorism capacities of recipient countries. The Department works closely with the U.S. Embassy officers, especially the Regional Security Officers, to develop a tailored training package to meet each recipient country's needs. The training includes traditional courses, such as hostage negotiations, bomb detection, and airport security. In recent years, ATA has developed new courses for investigating terrorist organizations and defeating cyber-terrorism. The program has also provided a series of seven seminars to help other countries strengthen their counterterrorism legislation.

In fiscal year 2005, we plan to continue a robust schedule of training and assistance with our partner nations to further enhance their capacity to counter terrorism. The highest priority for assistance remains the "southern crescent" coun-

tries, which extend from East Asia through Central and South Asia to the Middle East and into particularly vulnerable East African countries and even beyond to the western hemisphere. We will continue to support specialized programs conducted in-country in Indonesia, Afghanistan, Pakistan, Kenya, and Colombia. We will support the Counterterrorism Center in Kuala Lumpur, established by the Government of Malaysia to address pressing regional counterterrorism issues. We will aid the Government of the Philippines in the establishment of a new law enforcement counterterrorism unit. We also expect to develop new courses and programs to meet the evolving terrorist threat.

Terrorist Interdiction Program (TIP).—The Administration's fiscal year 2005 budget request includes \$5 million for TIP. TIP is designed to bolster the border security of countries confronted with a high risk of terrorist transit. Through this program, priority countries receive a sophisticated database system and training support to identify and track suspected terrorists as they enter and exit at-risk countries. TIP is currently operational in 18 countries, and is scheduled for deployment in five more countries this calendar year. The requested funds will be used for TIP installations in up to 6 new countries and continued work and maintenance on existing installations.

CT Engagement.—The Administration is requesting \$0.5 million in fiscal year 2005 to strengthen international cooperation and working relationships for counterterrorism. In pursuit of this goal, S/CT coordinates and participates in a variety of bilateral meetings and conferences with our allies. These meetings and conferences not only advance U.S. and international goals; they also stimulate the analytical and problem-solving skills of senior officials in the countries that currently confront the terrorist threat.

Terrorist Finance Programs.—The Administration's budget request for fiscal year 2005 is \$7.5 million for the NADR account to support counter/anti-terrorist finance programs. Understanding and interdicting the financial transactions that sustain terrorist activity is a core function of the State Department's efforts to combat international terrorism. We seek to stem the flow of funds to terrorist groups and to strengthen the capability of our partners to detect, disrupt and deter terrorist financing networks around the world.

The groundwork for our counterterrorism finance offensive was actually laid many years before 9/11, through provisions that the State Department proposed and the Congress enacted in the Antiterrorism and Effective Death Penalty Act of 1996. The Act authorizes the Secretary of State, in consultation with the Attorney General and the Secretary of Treasury, to designate Foreign Terrorist Organizations (FTOs). Among other provisions, the Act prohibits U.S. persons and persons subject to the jurisdiction of the United States from knowingly providing material support or resources to an FTO, or attempting or conspiring to do so. Among the consequences of a designation, any financial institution that becomes aware that it has possession of funds of a designated FTO must retain control over the funds and report the funds to the Treasury Department's Office of the Foreign Assets Control (OFAC). Currently 37 groups are designated as FTOs.

Following the terrorist attacks of September 11, 2001, the President signed Executive Order 13224, which requires U.S. persons to freeze the assets of individuals and entities designated under this E.O. for their support of terrorism. There are currently over 250 individuals and entities designated under E.O. 13224. The White House has established an interagency mechanism to coordinate the USG policy on counterterrorism training and technical assistance, including terrorist financing.

We are not alone in our efforts to combat terrorist financing. The U.N. Security Council has also significantly enhanced efforts to combat terrorist financing after the September 11 attacks, calling on member countries to criminalize terrorist financing and to freeze the assets of terrorists and terrorist organizations. The U.N. Security Council created the 1267 al-Qa'ida/Taliban Sanctions Committee to maintain a list of individuals and entities associated with al-Qa'ida, the Taliban, or Usama bin Laden. All U.N. Member States are obligated to implement asset freezes, arms embargoes, and travel bans against those on the list. This list continues to expand as other countries join the United States in submitting new names to the committee. So far, the international community has frozen over \$130 million in assets of persons or entities with ties to terrorist networks, and in many cases to al-Qa'ida. The U.N. Security Council's role in fighting terrorist financing through its resolutions on asset freezing and other sanctions, and especially its listing of al-Qa'ida-related names, has been crucial to our efforts in this area.

We are working closely with the Financial Action Task Force (FATF), a 31-member international organization that sets standards to combat money laundering and more recently to combat terrorist financing. The FATF elaborated on two of its earlier recommendations to make the use of cross-border wire transfers and alternative

remittance systems (such as *hawalas*) more transparent, and less subject to exploitation by terrorist groups. On the bilateral front, interagency teams led by the State Department are traveling to states critical to our counterterrorism efforts to evaluate their financial systems, identify vulnerabilities, and develop and implement comprehensive counterterrorism financing training and technical assistance programs.

To help other countries combat terrorism financing, we have developed CT Finance Capacity Building programs that are jointly coordinated by S/CT and administered through the Department of State's Bureau for International Narcotics and Law Enforcement Affairs (INL). We coordinate these capacity-developing programs with counterpart entities at the Departments of Justice, Treasury, and Homeland Security, USAID, and the independent financial regulatory agencies. These programs provide front-line states with technical assistance in drafting anti-terrorist financing legislation, and training for bank regulators, investigators, and prosecutors to identify and combat financial crimes that support terrorism.

The INL Bureau also runs a number of other programs that strengthen the fundamental law enforcement framework needed to fight a number of problems: terrorism, conventional criminals, and narcotics, including narcotics trafficking linked to the financial support of terrorism. Examples include the International Law Enforcement Academies in Budapest, Hungary; Bangkok, Thailand; Gaborone, Botswana; and Roswell, New Mexico. Bilateral training also is provided for a variety of courses on such topics as alien smuggling, border security and cyber crime, and some of this training has counterterrorism aspects.

In addition to the counterterrorism programs mentioned above, the State Department also has a number of regional and country-specific assistance efforts, focusing heavily on countries where there are major terrorism threats.

South East Asia.—The Bureau for East Asia and the Pacific (EAP) has put together a \$70 million request in fiscal year 2005 using Economic Support Funds (ESF) program to continue to help Indonesia in a number of areas, including education, economic growth and implementation and enforcement of financial crimes and antiterrorism laws and policies. The education program initiative would be designed to improve the quality of secular and technical education and to moderate extremism in *madrassas*. In the Philippines, \$35 million is requested in ESF for EAP and USAID to continue to help the government and the Autonomous Region of Muslim Mindanao to implement their peace agreement. This is accomplished by funding sorely-needed health, education, and small infrastructure improvements and the transition of Muslim separatist fighters to peaceful and profitable livelihood pursuits, such as corn, sorghum and seaweed farming.

South Asia.—S/CT and ATA have several programs designed to allow countries in the region to defend themselves from terrorist groups. The ATA program has over the past year trained an indigenous presidential protective unit for the Afghan government. It has also recently completed the training of a dedicated civilian investigative unit in Pakistan that will significantly increase that country's capacity to investigate terrorist groups and their activities. Other ATA training conducted throughout the region is reinforcing the strong partnership between the United States and both Pakistan and India, as well as other South Asian governments cooperating in the Global War on Terrorism.

In addition to the \$6 million we are seeking for ATA programs in Pakistan to train counterterrorism specialists, International Narcotics Control and Law Enforcement (INCLE) funds are being requested to improve the effectiveness of that country's law enforcement efforts in border security, law enforcement coordination and development, and counternarcotics. The Administration has requested \$40 million for fiscal year 2005 to help secure the western border of Pakistan from terrorists, criminals and narcotics traffickers.

Africa.—The President's East Africa Counterterrorism Initiative (EACTI) announced in June of 2003 is designed to strengthen the capabilities of regional governments to combat terrorism and to foster cooperation among these governments. It includes military training for border and coastal security, a variety of programs to strengthen control of the movement of people and goods across borders, aviation security capacity-building, assistance for regional efforts against terrorist financing, and police training. EACTI also includes an education program to counter extremist influence and a robust outreach program. In addition to EACTI, we are using NADR funds, Economic Support Funds, and other diplomatic and developmental tools to help strengthen democratic institutions and support effective governance. Amounts devoted to these efforts are relatively small, but in Africa, a little goes a long way.

General Law Enforcement Training.—As part of a broader institutional building effort, INL is funding a police development program begun in 2002 for national police in Tanzania, Uganda, and Ethiopia. While not specifically CT focused, the pro-

gram is introducing essential skills-based learning and problem solving techniques to build the capacity of these East African police forces to detect and investigate all manner of crime, including terrorist incidents. INL is also funding forensic laboratory development programs in Tanzania and Uganda, designed to build the capacity of these governments to analyze evidence collected at crime scenes. In Kenya, INL is funding technical assistance and training for the Anti-narcotics Unit of the Kenyan national police and the anti-smuggling unit that works out of the Port of Mombassa. These units jointly search containers entering the port to interdict drugs and other contraband that may be brought into Kenya otherwise undetected.

Last year we held a major counterterrorism conference for 13 nations in southern Africa. The sessions, held in the International Law Enforcement Academy in Botswana, included crisis management workshops and discussions of ways to strengthen counterterrorism laws. In 2002, six African countries from various parts of the continent took part in a week-long CT legislation seminar in Washington that State co-sponsored with the Justice Department.

Latin America.—Colombia remains a major trouble spot in the western hemisphere because of the unholy alliance between narcotics traffickers and FARC and other terrorist groups. The variety of assistance programs include the Andean Counterdrug initiative, and anti-kidnapping initiative and the ATA program. The Colombia programs can be and have been the subject of separate hearings. I mention them because they are also part of the overall program to counter terrorism even though the elements are different than the more widely-publicized threat from al-Qa'ida and related groups.

Mr. Chairman, this concludes my overview of our foreign assistance programs that help support the GWOT. We had a productive meeting with your staff earlier this year to discuss my office's specific programs. If you or your staff want additional details, we would be glad to provide them. At this point, I'd be happy to take any questions.

Senator MCCONNELL. Great. Thank you, Mr. Ambassador.

Let's just go right to some of the questions that have been prominent in the news lately. To what extent do you believe the liberation of Iraq has served to draw international terrorists to that country?

Ambassador BLACK. Are you asking me, sir?

Senator MCCONNELL. Yes.

Ambassador BLACK. I think, first of all, we need to appreciate this is a global war on terrorism. The strategy is a global one. I think it's important to recognize that we put our resources where the terrorists are. We also need to cover those areas where either there is a limited terrorist presence or areas where they could in surge to. Look at this globally. As an example, there are areas such as the tri-border area in South America where there is not an established presence now; the terrorists who were there to a large extent have left but we position ourselves to identify and be able to counter any terrorists that flee to this area. I think it is important to appreciate that the current violence and anti-terrorism activity in Iraq is founded upon several key pillars. One is the members of the regime that have nothing, that have lost everything and have nothing to gain are operating against us. There are also those from established groups that are rallying to what they believe to be a cause to operate against coalition forces, as well as an element of those that have been incited, essentially, by play in the media.

Senator MCCONNELL. To the extent that terrorists have gone to Iraq, that's a pretty good place to fight them, is it not?

Ambassador BLACK. It is, indeed. You know, I do recall, Senator, at the height of the war in Afghanistan, where the commanding general there was being asked about his ability to prosecute the war against Al Qaeda. And if I may quote him, and I just forget his name, I just thought of this off the top of my head, his answer

was essentially, you know, the Al Qaeda terrorists that present an immediate threat to the United States, we'll kill them here. And if they go somewhere else, we'll kill them there. So I think there is an element of that, Mr. Chairman, where there is a universe of these people that are determined to do us harm and this engagement is one that is global and right now we are paying particular attention, as are they, to the battlefield in Iraq.

Senator MCCONNELL. There are some that have suggested that by going on offense and taking the fight to the terrorists we're creating more terrorists. I'm curious as to your reaction to that line of argument.

Ambassador BLACK. I am profoundly against that argument. There is no opportunity to negotiate. One cannot appease. There are a number of these people that are very set in their ways, that are absolutely determined to do us harm, to kill as many people as they possibly could, and our determination to engage these people and our will to continue, I think is vitally important.

Senator MCCONNELL. To what extent is the well-publicized decision by Spain and Honduras to withdraw their troops from Iraq going to embolden terrorists or in general create a problem for us?

Ambassador BLACK. It's hard to estimate exactly how a terrorist will think in such a situation. I think the reality which they will have to confront, as these countries have been and continue to be good allies, the Spanish in particular have made significant contributions on the battlefield, is a democracy, their forces do respond to the actions of their government. I think that the loss has some significance. We want to have as many with us as we can. However, practically speaking, I think the position of the Spanish government is very clear. They know that they're playing a key role in the global war on terrorism. They've redeployed their forces to another area and I think the terrorists will fully appreciate that these losses are tactical and can be made up by reshifting of coalition forces, and that's what U.S. commanders have stated.

Senator MCCONNELL. Some in this country have argued, and you certainly have heard the argument, that the effort in Iraq is somehow detracting from the war on terrorism, as if they were two entirely separate issues. To what extent is the war in Iraq detracting from, or irrelevant to, as the critics have said, the war on terror? Or is it part of this larger effort? As you suggested earlier, we are confronting these people in a place where we're in a pretty good position to deal with them.

Ambassador BLACK. Again Senator, this is a global war. There is currently a finite set of these terrorist enemies we need to engage and we have done this in Afghanistan; we are doing it in Iraq. And the United States with her allies are operating globally, around the world, and I think it's important to appreciate that these forces are being used productively against a terrorist set, that if we weren't engaged with them there then we would be operating against them in other places and in other contexts.

Senator MCCONNELL. One final question on this round. To what extent does sticking to the June 30 transfer date and handing over at least the political authority in Iraq to an Iraqi entity undermine terrorists' arguments in Iraq, or elsewhere for that matter?

Ambassador BLACK. I believe there is a determination to conduct this action. I think that terrorists fear the emergence of a society where there's equitable representation. They fear what a democracy or a like or affiliated kind of a government does to their cause and they are intensifying their operational activity to do as much as they can to derail it.

Senator MCCONNELL. So it's reasonable to assume it could well get a good deal worse before June 30 than it has been?

Ambassador BLACK. Well, it's hard to predict. I think there are significant actions underway now on the battlefield in Iraq but our enemies clearly do appreciate that the clock is ticking, that the new Iraq is one in which there is to be equitable representation, in contrast to all of their recent history. This is a bright future and they want to stop it for their own advantages so they're likely to do everything they can do derail it in the short-term.

Senator MCCONNELL. Well, the BBC/ABC poll taken of Iraqi citizens back in February, which got remarkably little coverage in this country, was a clear indication that the Iraqi people feel that they're a lot better off than they were a year ago. And there was a stunning level of optimism about how they would be a year from now. The kind of numbers that people in my line of work would love to see in this country.

Ambassador BLACK. Absolutely, sir. And the folks that come back from Afghanistan and talk, you and I perhaps watch the news and TV and we see isolated incidents of, you know, violence and conflict. To a large extent it's looking at history, real time, through a straw. The vast majority of Iraqis want the kind of future that we're helping them to get. It's important that we do this and I think it is clear, at least in my view, history will say that Iraq is far better off as a result of these actions.

Senator MCCONNELL. Senator Leahy.

Senator LEAHY. Thank you, Mr. Chairman.

Tell me, Ambassador Black, there was a horrible car bombing in Iraq, a number of children—I think it was in the last few hours—children killed. And horrible bombings in Saudi Arabia. The press, at least initially, reported that the Saudis had heard there might be six of these bombs; they were able to find and diffuse five. Now, in Saudi Arabia, is there any indication that Al Qaeda was involved?

Ambassador BLACK. The most recent reporting that I have received, Senator, is that there is no definitive proof yet that it was Al Qaeda. But the actions underway, as you know, in Saudi Arabia, the government of Saudi Arabia is fully engaged countering these individuals, and there's a tremendous amount of operational activity that's underway.

Senator LEAHY. What about in Iraq? Do we have—what is the indication of who was responsible?

Ambassador BLACK. Again, I would have to check. I think the forensics are underway. It almost always takes some time to actually prove this out, to find out exactly which particular group is involved.

Senator LEAHY. Did that appear to be internal, though, at least from initial reports?

Ambassador BLACK. They always say, when you come down to speak before you, one should not speculate.

Senator LEAHY. I accept that. Well, let me ask you a question that maybe you could answer. This is Foreign Policy Magazine, the most recent copy, and it has articles about Al Qaeda, and on the cover it says, leadership is in disarray, the training camps are in ruins, so why is Al Qaeda's ideology spreading faster every day? Gentlemen?

Ambassador BLACK. I think it's important, again, to emphasize what we know. What we know is, as the President has stated, more than two-thirds of the Al Qaeda leadership of the period of 9/11 is captured, detained, or killed.

Senator LEAHY. Accepting that, why is their ideology spreading faster every day?

Ambassador BLACK. It is the convergence of communications, TV, the Internet and the like, incitement, where—

Senator LEAHY. Let's take it step by step. The TV and the Internet and all was there before, before we broke up the leadership. So we have to assume there's something more.

Ambassador BLACK. Well, I think that there is a lot to see with greater regularity.

Senator LEAHY. Such as?

Ambassador BLACK. Well, such as your 9/11, to start with. The images of that were transmitted around the world in such a way that—

Senator LEAHY. But subsequent to that we went to Afghanistan, we knocked out a lot of the Al Qaeda leadership.

Ambassador BLACK. Yes, Senator, but also it goes the other way too, such as the bombings in Madrid, the bombings in Indonesia. And acts in one place of the world are transmitted around the other. The vast majority of these terrorists that formerly were very isolated have obtained comfort, if you will, in their objectives by seeing actions around the world.

Senator LEAHY. So these actions are why their ideology is spreading so fast?

Ambassador BLACK. No, it's not why, it's an incitement or an encouragement of, you know, radicalized views which have not, in our view, been sufficiently countered by the programs such as being conducted by USAID, which essentially encourage appreciation of, you know, moderation as opposed to radicalism.

COST OF REBUILDING IRAQ

Senator LEAHY. You mention AID and Mr. Natsios has said, appropriately, that USAID is being increasingly called up to deal effectively with failed states, transnational problems, geo-strategic issues, and part of our responsibility is making sure we know how much it's going to cost. I remember last April, a year ago, you stated with some confidence, on "Nightline," the American contribution to rebuild Iraq would be no more than \$1.7 billion. So far we're more than 1,000 percent higher than that. You were about \$18 billion short. Are your estimates getting more accurate?

Mr. NATSIOS. The estimate was not \$1.7 billion. That was the amount of money that OMB told me they were going to give us, the U.S. Government, to reconstruct Iraq.

Senator LEAHY. Is that what you told OMB that you needed?

Mr. NATSIOS. We weren't asked what we needed. We were told. We were not doing all the work, we were doing some of the work. Some of it was being done by State Department, some by some other Federal agencies, some by the Defense Department. There was an overall figure, I believe the figure was \$2.7 billion; the amount of money that we were given of that \$2.7 billion was \$1.7 billion. I never said on "Nightline" that that was the amount that we estimated—because we did not know how much it would cost since we weren't in the country yet.

Senator LEAHY. Well, let me ask you this. We've appropriated \$18 billion and we're told we had to do it immediately, needed it yesterday. I remember in the committee's conference, the White House said, we've got to have this money, we've got to have it right now. And that was 6 months ago and less than one-ninth of the money has been obligated. I expect far less than that has been expended. What happened between we've got to have it immediately and the fact we're not using it?

Mr. NATSIOS. Well, I can only tell you what was given to us. We've been given \$3.8 billion between the first and second supplemental. We've obligated \$3.3 billion as of last week.

Senator LEAHY. How much have you expended?

Mr. NATSIOS. That obligation means that there are signed contracts but the contracts are 1 year to 2 years long so some of them are being expended more rapidly because they're shorter contracts, some of them longer. But our expenditure rates are pretty good, I don't know the exact figure now.

[The information follows:]

EXPENDITURE RATES—Iraq

As of April 2004, USAID has been apportioned a total of \$4,338,263,000 from the Fiscal Year 2003 Iraq Relief and Reconstruction Fund and the Fiscal Year 2004 Iraq Relief and Reconstruction Fund. Of this amount, \$3,328,194,000 has been obligated and \$1,247,797,000 has been expended.

Mr. NATSIOS. But obligation is a written contract with people on the ground spending money.

Senator LEAHY. If the people on the ground can get there. Under the circumstances there now, a lot of them are leaving because of the danger.

Let me just read what you did say on "Nightline." Koppel says, all right, this is the first, when you talk about \$1.7 you're not suggesting the rebuilding of Iraq is going to be done for \$1.7 billion. Your answer was, well in terms of the American taxpayers' contribution, I do. This is it for the United States. They're going to get \$20 billion a year in oil revenues but the American part of this will be \$1.7 billion; we have no plans for any further funding for this.

Mr. NATSIOS. Right.

Senator LEAHY. That's from the transcript. A little bit different than your answer today, Mr. Natsios.

Mr. NATSIOS. Senator, if I could—

Senator LEAHY. I have supported USAID as much as any Member of this Senate and I just, you know—

Mr. NATSIOS. My answer, a minute ago, just to be very clear sir, was that at the time that was put forward, that is what we were

told the U.S. contribution was going to be. That is what we proposed in the first supplemental. What I just said was I never suggested on that program or elsewhere how much it would cost to reconstruct Iraq because we were not in the country yet. And until you're in a country and you do assessments, which the World Bank has done with UNDP and the U.S. Government, we did not know how much it would cost. We do know now how much it would cost, there's been a pledging session, I believe the amount pledged from all donors and international institutions is about \$34 billion. So a substantial amount has been pledged, not just by the United States but by donor governments around the world, including the Bank and the United Nations.

Senator MCCONNELL. Okay, thank you, Senator Leahy. Senator DeWine.

AGRICULTURE PROGRAMS

Senator DEWINE. Thank you, Mr. Chairman. Mr. Natsios, you and I have discussed in the past the importance of agriculture development programs, and you're a big advocate for that, I'm a big advocate. Yet we keep seeing the requests from the administration going down. I was glad to see, when you all first took office, the program went up. We saw a high point, I think, of about \$480 million in 2003, but your request for 2005 I think is \$419 million. That disappoints me and I just, you know, it seems to me that, you know, I just don't know why we're cutting the very initiatives that will reduce our need for emergency food assistance in the future. And if we're going to deal with the long-term problems, if we're going to shape the future in these developing countries, I don't know any other way of doing it than to put some investment and some money into agriculture. You want to talk a couple minutes—I've got another question—but do you want to talk a little bit about that?

Mr. NATSIOS. I would like to, Senator, because I fully agree with you. I have been disappointed as well. We did have 2 good years where we increased the resources. I am disappointed by the amount in the budget, but that's the reality. The reality is that agriculture is not very visible. You and I support it and I know members of this committee have supported it but—

Senator DEWINE. Well, let's get it done.

Mr. NATSIOS. Let me tell you, though, what the consequences of our not funding this program. What happens when there's a huge gap in between rural areas in terms of lifestyle and public services and people's family income in urban areas, as people migrate from the rural areas to the cities. And they do not end up in middle-class neighborhoods.

Senator DEWINE. No.

Mr. NATSIOS. They end up on the streets and in shanty towns. The most destabilizing thing in developing countries, particularly with large Muslim populations that are prone, potentially, to radicalization through these radical Islamic networks, is large scale migration to the cities without jobs in those cities. And so our strategy is, to the extent that we have the money to spend it, is to spend the money in the rural areas to rectify the inequality between the rural areas and the urban areas so they don't go to the

cities. Because when they leave the rural areas, the natural constraining factors of the traditional mullahs, their family, their extended family, local institutions, local governance, which constrain and socialize young men's behavior as they're growing up, goes on everywhere in the world, not just in the southern countries. It's rich countries too, where that's the case. Those systems collapse when families move to urban areas. There are no substituting factors that constrain and socialize young men's behavior at that age. And so we don't want them to move to the cities. We want them to stay in the rural areas and improve life for them. However, it has not been a particularly popular thing, in the United States, to vote for this stuff because it's not as visible, and it's more remote and other things like health, which are very important, education, very important, other things, but in my view this is one of the critical and most important things that we can do.

Senator DEWINE. Well, I appreciate, you've articulated it very well. I just, you know, would hope that working with the administration we can do better in this area. I mean, there's many, many conflicting, you know, many drains on the budget, many demands on the budget but it seems to me this was a great investment. You've articulated it very well.

HAITI

Let me turn, if I could, to Haiti. Earlier this month, a couple of weeks ago, Secretary Powell testified in front of this community, and I asked him about how much money we're going to be able to set aside for Haiti this year. And I suggested to him that the \$55 million that is budgeted is just not going to be enough. And he wholeheartedly agreed. In fact, let me quote what he said. "The need is much, much greater, Senator. One hundred and fifty million dollars a year"—which is the figure I had just thrown out to him—he said, "\$150 million a year would almost be a modest sum, frankly. This is a country that's been, once again, run into the ground that needs everything." Last month I asked Mr. Noriega, Mr. Franco similar questions. I asked about were such programs as agricultural development, rebuilding basic infrastructure would fit in in our future assistance strategy. Let me just tell you, Mr. Administrator, I want to be candid. While everyone says we have this great need in Haiti, everybody from the Secretary of State all the way down, I'm still waiting for a plan. I'm still waiting to see where the administration is going. Now, I understand that the USAID has come up with a draft emergency response plan. Is that correct and is that something you could share with us today?

Mr. NATSIOS. We have not only a draft emergency plan but a draft transition plan.

Senator DEWINE. Can you give us any insight into that?

Mr. NATSIOS. Yes. Just in terms of the funding, we are now reviewing our existing budgets because, of course, we're in the middle of the fiscal year, and we have spent much of our budget. So, that's a problem in terms of where we get the money from. And so we are reviewing the areas that we have discretion in. As you know, we cannot take money from the Eastern European accounts because legally you can't transfer money from those accounts; we can't take money from the Andean Initiative because it's for the

Andean countries, which is the largest component of our aid program in Latin America. So there are restrictions in terms of our ability to transfer from other accounts into Haiti. Is it enough money? No. Secretary Powell was correct, I fully agree with him. We will obviously spend whatever money in fiscal 2005 that you give us, Senator. It is a serious problem, and if we don't deal with it we're just going to have a repetition of this again in another 5 or 10 years.

In terms of what's in the emergency plan, the first phase of it is to stabilize the existing situation, which is going on now. In the transition plan that we've done, we want to do three things we did not do 10 years ago when we went through this. One, we did not engage the Haitian-American diaspora, many of who are professional people and entrepreneurs. They have skills and values from American society that could be very useful in reconstructing Haiti. And they can transfer those values much more easily than we can. And so we're going to have three conferences with CIDA, the Canadian aid agency, and USAID, for the Haitian-American community to tell us how they think they could help us do this reconstruction in a way that would engage the large Haitian-American diaspora in the United States.

The second is, we did not have a government to work with before. The new government, we're very, very pleased with. They are technocrats, they're honest people, they appear to be competent technically, and so we are going to coordinate with them. Because if you don't get the engagement of an indigenous government, it really reduces the effectiveness of your program. So we do have one good thing working in our favor.

Economic growth is a critical part of this. If there aren't jobs, it's going to further destabilize the situation. So we've got to work on the issues around transformation of the economy. They were transforming in the early 1990s and the great sadness of what happened in the 1990s was all that industrial manufacturing that had created about 500,000 jobs, has all moved to Central America. And that's not going to come back easily. Some of it stayed, but much of it has left.

So those are the three components right now.

Senator DEWINE. My time is up but I just want to say, that that's why I was so happy in the last hearing to hear Secretary Powell say that, you know, he supports our trade bill. And, you know, we've got to get that passed.

So, thank you very much. Thank you, Mr. Chairman.

Senator MCCONNELL. Okay, thank you, Senator DeWine. Senator Durbin, to be followed by Senator Shelby.

Senator DURBIN. Ambassador Black, I really didn't come to this meeting prepared to ask you any questions. But I do have to ask one now, based on what you've said in your testimony. I believe you responded to the Chairman by suggesting that we don't have an accurate view of what is happening in Iraq. You gave an example of the television coverage and you said that we are, like, looking at the situation through a straw—your words—and focusing on: “isolated instances of violence and conflict.” Those were your words. I've heard Secretary Rumsfeld describe what has happened over the last 2 or 3 weeks as a flare up. I can't believe those words are

being used in reference to what we've been through in the last several weeks. The death toll now of Americans is over 700 in Iraq, over 3,000 injured seriously. More lives have been lost in the first 2 weeks of April in Iraq than in any month since we invaded that country. The Iraqi police and army, that we trained, were totally ineffective when this offensive started. Ambassador Bremer announced this week not to expect them to take any responsibility on June 30 for the security of their country. Foreign armies have not come to our rescue; sadly, they are leaving, causing a greater burden for the American troops which remain. There have been orders for 20,000 additional American soldiers to be sent to this theatre. And I can tell you that any Senator at this table will tell you when they go home on the weekend the phone calls they will receive from the families of Guard and Reserve. Isolated instances of violence and conflict are how you described it. Last week, Secretary Rumsfeld, after some extensive questioning, finally conceded that the situation in Iraq is worse today than he thought it would be. Are you prepared to make that same concession?

Ambassador BLACK. I think it's very important, Senator, for me to emphasize the response was to a specific question. The question was the viewpoint from the terrorists, in terms of incitement and terrorism. What I was trying to convey was that the terrorists are influenced by new forms of communication, television, the Internet and the like. And what I was trying to convey was that terrorists around the world can see acts of violence and it is covered pretty well, and this is an incitement to terrorists in areas other than on the battlefield, that there's a significance that we are heartbroken at the loss of life is all true and all of us as Americans view these developments very seriously. But what I was trying to answer was from the standpoint of the terrorists, and this is the end I know better, was, you know, what is the commonality terrorists in other areas of the world, what does this mean to them? And the commonality is they have instant communications, they can watch TV and these incidents are portrayed on a full TV screen and it has significant impact for terrorists. It is inciteful and it gives them comfort and continues to fuel their radical beliefs that are not to our advantage.

Senator DURBIN. I don't argue with that conclusion.

Ambassador BLACK. Sir, that's what I was trying to say.

Senator DURBIN. But to suggest that the television reporting of what has happened in Iraq somehow distorts by focusing on isolated instances of violence and conflict is to ignore the reality of the danger of this situation.

I'd like to ask you this question, because it's come up in many contexts. You're a 28-year veteran of the Central Intelligence Agency. When did you reach the conclusion, after 9/11/2001, that the key to fighting terrorism in the world was the invasion of Iraq?

Ambassador BLACK. As an intelligence officer I would not be involved in those decisions and gratefully I wouldn't have to make them. We provide—intelligence services provide analysis; my end was to provide analysis to facilitate that process, as well as to collect information for the decision makers and they would use that in factoring in what they decided to do.

Senator DURBIN. So you won't answer the question?

Ambassador BLACK. I wasn't in a position to do it, sir. I was in the collection operational end. I wasn't in the decision making end of this. And frankly, my involvement with Iraq was very limited. I look at terrorism as a global issue and others specifically looked at Iraq. I did not, Senator.

Senator DURBIN. That is hard to believe. Ambassador, State Department Coordinator for Counterterrorism with the rank of Ambassador-at-Large, and you never had an opinion as to whether the invasion of Iraq—

Ambassador BLACK. No sir. Senator, you asked me, if I understood you correctly, you were asking about my time in the Central Intelligence Agency, and I was speaking from that context.

Senator DURBIN. Well, can you speak to the context of your service to our Government? At what point did you reach the conclusion that the key to counterterrorism, after 9/11/2001, was the invasion of Iraq?

Ambassador BLACK. I believe that there is an association among terrorist groups. I think the Secretary of State made the case in front of the United Nations. I think our, you know, our policy makers viewed this issue and took action that's in the interest of the United States. Tactically looking at terrorists, there have been association, terrorists have moved across Iraq and this is a whole separate story. But that was considered friendly territory; in fact, many of the Al Qaeda that had to flee out of Afghanistan transited numerous countries in the area. So looking at it from a terrorist organizational standpoint there was an association.

Senator DURBIN. Is my time up?

Senator MCCONNELL. Yes.

Senator DURBIN. I'll wait for another round.

Senator MCCONNELL. Thank you, Senator Durbin. Senator Shelby.

Senator SHELBY. Mr. Chairman, I was not here earlier. We had a banking committee hearing. I'd like that my opening statement be made part of the record in its entirety.

Senator MCCONNELL. It will be.

[The statement follows:]

PREPARED STATEMENT OF SENATOR RICHARD SHELBY

Mr. Chairman, thank you for holding this very important hearing and for the opportunity to address the subcommittee and the witnesses on the need to ensure adequate resources and attention remain focused on the vitally important role of foreign assistance in waging a long-term struggle against terrorism.

Foreign aid programs, we all know, have long been very unpopular among the American public, which views the one-percent of the federal budget that goes towards aid programs as an unwarranted drain on higher priority domestic programs. Mr. Chairman, nothing could be further from the truth, and I commend you for the role you have played over the years in leading the effort to ensure that U.S. interests abroad receive the attention and resources they need. Since the devastating attacks of September 11, 2001, the importance of these programs has only grown, and you can be assured of my support in the months ahead as the budget process advances.

Terrorist organizations like al Qaeda, Jemaah Islamiya, Palestinian Islamic Jihad, Hamas, and others prey on the destitute and the desperate in their efforts at replacing existing governments with fundamentalist regimes that eschew democracy and freedom and that advance their cause through the use of indiscriminate violence. The scale of the problem, I think it is safe to say, exceeds anything any of us anticipated even as the threat of terrorism emerged during the 1990s as one of our most pressing national security challenges. Successes against al Qaeda in Af-

ghanistan—and they have been considerable—have perversely resulted in a diffusion of the problem as less-centrally coordinated cells replace the hierarchy that once characterized the birth child of Osama bin Laden. The threat of terrorism today is enormous, and has already had a very fundamental transformational effect on the way we live our lives in history's strongest and most prosperous country.

I am a supporter of the President's Millennium Challenge Account. Foreign aid programs should take into account recipient countries' commitment to the ideals of democracy and free enterprise. The war on terrorism, sadly, does not allow for as broad an application of that principle as many of us would like. Economic and security assistance to countries that share our interest in fighting terrorism but that do not represent our ideal recipient must remain a central tenet of U.S. foreign policy for the foreseeable future. We simply cannot afford to discount the role countries like Pakistan, Uzbekistan, Nepal, Egypt and others play in the struggle against terrorism. They need our assistance, and they should receive it. At the same time, we should not give out blank checks. Security assistance in particular must come with strings attached that ensure it is not abused for the purpose of repressing legitimate democratic aspirations. Economic assistance, similarly, must be oriented toward transition to free market systems where the rule of law and transparency are integral parts of those transitions.

Mr. Chairman, I thank you again for the opportunity to address the hearing today, and look forward to the testimony of the witnesses.

Senator SHELBY. Ambassador Black, it's good to see you again. You have had a distinguished career at Central Intelligence Agency and I'd like to focus some of my remarks on terrorist financing. And I don't know what you can tell us here today. And the Banking Committee, as you probably know, is engaging in a comprehensive review of our government's ability to identify and track the financing of terrorists in their operations.

I think it's a given in a lot of quarters that the terror finance issue is viewed as much diplomatic as it is enforcement at times. One example, there are material differences in many countries' view of the phrase, support for terrorism, as it relates to the sanctions program. As you look around the world, Ambassador Black, can we convince our allies that the President's standard is appropriate? And if so, how have we been able to do this? Have we hurt our long-term efforts for a short-term benefit, and what are our biggest challenges here, success in this area? Because I think it's important to get to the financing.

TERRORISM FINANCING

Ambassador BLACK. I think absolutely, as I believe you will recall, the greatest progress and greatest growth in the field of counterterrorism has been in the financial area. It's been only in the last few years that this has been addressed aggressively and comprehensively. The experts that look at this first have to identify where we need to encourage the will of countries to look at their system in a critical way.

Senator SHELBY. That's hard sometimes.

Ambassador BLACK. That's very hard to do. And then to take corrective action that may impact in other areas besides terrorism and that may not be necessarily instinctively appealing to some segments of a society in a particular foreign country. We look to encourage them to change their rules, the banking regulations, essentially to improve their will and capacity but to create a commonality of financial, legal rules and to make sure that there is a way to enforce the regulations in an international way. We do this by working not only bilaterally with countries but also through the United Nations, working with our partners in the G-8, work with

other countries. So there has been growth, there has been progress, and it is tricky, Senator, because when you figure out a way to close off one avenue of fundings or one ploy from a terrorist group invariably they will seek to do something else. So we have broadened into such things as——

Senator SHELBY. Unconventional financing.

Ambassador BLACK. Unconventional financing. And it's basically an offense and defense type thing; as we get a leg up in one area they shift to something else so we have to keep at it.

Senator SHELBY. But essential to our fight on terrorism, is it not?

Ambassador BLACK. Yes, it is, absolutely. If armies move on supplies then the terrorists need access to funding, is the most important thing. And unfortunately for us, usually they don't need much. But we can severely threaten and curtail so that they cannot conduct training as they have in the past and do the big things. The small things are harder to catch but the big things we have some optimism what we can interdict on.

Senator SHELBY. Ambassador Black, while the focus of a lot of discussion is on the Middle East for various reasons, the scourge of terrorism and the harboring of terrorists has become a global phenomenon. From the tri-border area that we're both familiar with in South America to the continued consolidation of its position in Lebanon by Iranian- and Syrian-supported Hezbollah, to Uzbekistan currently experiencing either a resurgent Islamic Movement of Uzbekistan or whatever Al Qaeda offshoot is replacing it, to the jungles of Indonesia, the challenge that's facing us has grown beyond anything some of us imagined, you know. Maybe not you, you know, I mean, your special position a few years ago. In addition, I want to ask you, in addition to the countries and regions I've listed, where do you see the next challenges? And where in the context of harboring terrorist funds or using money for terrorist support are the real trouble spots?

GLOBAL CHALLENGE

Ambassador BLACK. I think it's a commonality. Again, I think you've hit it exactly right, Senator, it's global. As you make progress in one particular geographical area or in one sector, invariably it will shift to the other side of the world then another sector. Essentially I'd look at it in two ways. One, we have to work exceptionally well with our partners at the financial centers, London, Hong Kong and the like, so that we can begin to inhibit the movement of funds of terrorist groups or those associated with terrorists as well as identify the main individuals and funding mechanisms by which the operators get their funding.

USAID PROGRAMS AND COUNTERTERRORISM

Senator SHELBY. How will assistance programs, USAID, address some of these programs?

Mr. NATSIOS. Senator, there are a dozen countries now where USAID has programs on counterterrorism financing through the Central Bank. For example, in Central Asia, all of Central Asian Republics. Now employees in many of their commercial banks and their Central banks are being trained in money laundering and how to prevent it, how to notice whether or not transactions look

out of the ordinary. We are running anti-money laundering programs. It's not just in the terrorist areas, I might add, it's also in narcotics trading, it's in human trafficking. The globalization of the world economy has a bright side to it—more jobs, more wealth, less poverty. It has a darker side to it too, which is all the criminal elements who are now using globalization for their own darker purposes. We're doing a financial crimes training program for the judicial system in a number of countries, including South Africa. And there's a unit within West Bank Gaza that USAID runs that deals with this bank supervision system to stop the flow.

Senator SHELBY. Working?

Mr. NATSIOS. It is working, yes, to the extent that it's going through the formal system. You know Al Qaeda knows what we're doing now.

Senator SHELBY. Yes.

Mr. NATSIOS. And they're moving money, some of their money, as I understand it, my friend Cofer Black tells me, I see him every morning at the morning staff meeting with the Secretary, that some of the money, I think you said at one point, was moved into gold bouillon. And you can't track that through a bank account. I signed with the finance minister of the Philippines, when President Arroyo visited last year, an anti-money laundering effort in the Philippines that the government asked for there, and we're helping work with them on new regulations to control it. So we're doing that in a number of countries as part of our worldwide corruption campaign.

Senator SHELBY. Mr. Chairman, thank you for your indulgence.

Senator MCCONNELL. Thank you, Senator Shelby.

Let me shift to an area of the world where there appears not, at the moment, to be a difference between Senator Kerry and the President. On "Meet the Press" Sunday, when asked whether he supported the President's stance on Israel, Senator Kerry said yes, completely. On the same Sunday talk show, Senator Kerry also expressed support for the right of Israel to defend itself against Hamas terrorists. So it appears at least in this area there may not be a partisan debate during the election year and I think that's a good thing.

Ambassador Black, has the killing of Hamas leaders, including terrorist Yassin and al-Rantisi disrupted that organization?

Ambassador BLACK. I believe that it has disrupted it. The leadership being challenged like that certainly has a ripple effect on that society. You know, Israel has a right to defend itself; we've required them to be prudent and circumspect in what the objective is and the objective is peace. And currently there is a lot of violence with Hamas. Hamas will have difficulty replacing leadership individuals such as Rantisi.

Senator MCCONNELL. Do you see any difference in United States efforts to hunt down Osama bin Laden and Israel's targeting of Hamas terrorists?

Ambassador BLACK. Well, I think that I can speak from, you know, Al Qaeda, we've lost 3,000 people. We have to take actions to defend ourselves against an imminent threat. Israel has a right to defend itself, it has lost people. We, in the case of Israel and Hamas, it is important, the objective is peace, the objective is an

improvement in the quality of life. And we encourage both sides to reach that goal and Hamas and terrorists should stop violence and to allow some positive developments to take place.

Senator MCCONNELL. What impact, if any, has resulted from the elimination of these Hamas leaders, in terms of terrorist attacks against Israel?

Ambassador BLACK. We would have to see and we'd need more time to see what effect that has had on their operational capability. I think all of us need to look at this and see what the developments are.

Senator MCCONNELL. Mr. Natsios, how have USAID-funded programs in the West Bank and Gaza countered—if they have—the efforts of Hamas to win the hearts and minds of the Palestinian people?

Mr. NATSIOS. We have a number of programs, Senator, in West Bank and Gaza in a number of areas. First is in the area of civic education through the news media, and they are designed for young people, very young and teenage level people, that violence is not the solution. There are some things that we can measure precisely but the effect on people's behavior, while we know it takes place, you cannot quantify it as carefully as you can, let's say, child mortality rates or increases in income from micro enterprise, that sort of thing. We also are sponsoring—

Senator MCCONNELL. Have you all ever done any surveys, or are you familiar with any surveys of people in Gaza, for example, in terms of how widely a group like Hamas is supported?

Mr. NATSIOS. I think some surveys have been done; I am not familiar enough with them from memory to give you the data. But we certainly would be willing to look and provide to you. I've seen some of them a year ago.

Senator MCCONNELL. Do you remember whether more people were favorable or unfavorable toward activities of Hamas?

Mr. NATSIOS. I don't recall, Senator.

Senator MCCONNELL. Okay, go ahead.

Mr. NATSIOS. We are running a series of town hall meetings, panel discussions and young leader training programs at the community level, where areas that we might think would be primary breeding grounds for suicide bombers, to at least get these issues out on the table and have discussions that there are alternatives to violence. We're also running a series of community service programs that will bring conflict resolution skills. We're doing this in a number of countries. In fact, we set up a new office in USAID called Conflict Mitigation and Management because it's very clear that there are some things you can do at community programming levels that can affect people's propensity to get drawn into these violent militias or these suicide bombing groups.

Senator MCCONNELL. I hate to interrupt you but I want to ask if you are confident that none of our U.S. tax dollars end up in pockets of Hamas.

Mr. NATSIOS. We have an extensive program in the office we have set up in West Bank Gaza to monitor this; we have a system of certifications that we do where—

Senator MCCONNELL. Is the answer to my question yes, you're confident that U.S. tax dollars—

Mr. NATSIOS. I am confident, yes.

Senator MCCONNELL. Let me shift to Syria for a minute with you, Mr. Ambassador. Have you noticed any change in Syria's support for terrorism since the fall of Saddam Hussein?

Ambassador BLACK. There has been selective improvement in certain areas, certainly in the border area we see some positive signs there. We believe because of their strategic position in the region and their comprehensive support for established terrorist groups in Syria there's an awful lot more that they can do.

Senator MCCONNELL. Then they still are a haven to some extent for terrorists?

Ambassador BLACK. Yes, they are.

Senator MCCONNELL. So there's been some improvement but not nearly enough? Would that be a way to describe it?

Ambassador BLACK. Not anywhere near enough.

Senator MCCONNELL. To what extent is Iran supporting or directing Shiite cleric al Sadr?

Ambassador BLACK. There are contacts between Iranian officials and members of that community. We are concerned about the involvement and the projection of Revolutionary Guard personnel and the like into that community with contacts but I have to leave the rest of that to the intelligence community. We're concerned there are contacts, yes.

Senator MCCONNELL. Senator Leahy.

Senator LEAHY. Thank you, Mr. Chairman. A couple of points I didn't mention, where Ted Koppel is speaking to Mr. Natsios, he said: "I understand but as far as reconstruction goes, the American taxpayer will not be hit for more than \$1.7 billion, no matter how long the process takes." Natsios answered: "That is our plan, that's our intention." And these figures, outlandish figures I see, and I have to say there's a little bit of hoopla involved in this. And then later on when asked the question again, Natsios said: "that's correct, \$1.7 billion is the limit on reconstruction for Iraq. It's a large amount of money compared to other emergencies around the world but in terms of the amount of money needed to reconstruct the country it's a relatively small amount."

Mr. Black, one of the things that the United States is admired most for is our values. As I travel around the world I speak of our basic values as a country, democracy, human rights, our respect for the rule of law. And I think the more we can point to that the easier it makes our diplomacy; I think it helps our intelligence gathering, it certainly helps us counter the message of extremists. Would you agree with that?

Ambassador BLACK. I would, yes sir.

Senator LEAHY. And the world looks to us for leadership and I think back to some of the things we've done, we closed our eyes at times during the cold war, sometimes we would support dictators because they said they were anti-communist. And then sometimes we turned a blind eye to activities of some countries because they said that they'd help us combat drugs. And now if they will fight terrorism we close our eyes, whether they're repressing minorities or whatever. We still see a number of very autocratic regimes since September 11, including some we give large amounts of aid to, engage in repression under the rubric of fighting terrorism. How do

you go to some of these autocratic countries, asking for their help in fighting terrorism, without giving them an excuse to violate the rights of their own people, to crack down on legitimate voices of opposition? For example, legitimate voices of dissent. I'm not talking about people trying to blow up their government or ours but people who protest peacefully. How do you do that balancing act?

Ambassador BLACK. I think it is a challenge. I would underscore that in all of my experience it has been very clear in all the dealings that we've had in countries that the way you generically described them is that we're in the business of countering terrorism, countering terrorists, which means identify the terrorists and counter them. We're not in the business of countering anybody else. We are proponents and advocates for the principles of democracy, free speech and the like. I always make it very clear, and we're always mindful, and sort of, you know, ruthlessly mindful and focused to any country that is cooperating with us, if they show any sign, and we check these things out, of using religious expression or political expression as an example that these are actually terrorists or they should be countered or someone should engage them, this is relentlessly looked at. We are in the business, we as Americans, in the counterterrorism field, of countering the terrorists, which means terrorists are specific individuals who represent, in our case certainly, an imminent threat to the United States. We encourage freedom of speech, religious expression and the like. So it is difficult. It requires constant education and we, as Americans, regardless of what element or what agency we are with, attempt, to the best of our ability to underscore that principle. And they are, of course, as I'm sure you would advocate, they are related. You really can't do one without the other.

USAID BUDGET

Senator LEAHY. I agree, but I could name a lot of countries where we give aid that are autocratic and we seem to be increasing our aid.

Mr. Natsios has quoted the President's national security strategy, which says that: "Poverty, weak institutions and corruption can make weak states vulnerable to terrorists networks." I certainly agree with the President on that, and with Mr. Natsios. Mr. Natsios testified that failed states, including Zaire, Lebanon, Somalia and Liberia had repercussions far beyond their own regions, and we're dealing with the consequences today. But the amount of aid we provide is not significantly more than the past, with one exception, Liberia, and there I had to offer an amendment over the administration's objections to provide emergency funding for Liberia because the administration had not done so. And we know what Senator DeWine has said about Haiti. I agree with all the rhetoric, I worry the reality of money is not there.

Mr. NATSIOS. Senator, if I could, I want to first thank the committee for their help and leadership on the budgets, since I've been administrator. We really do appreciate the money you've given us. But just to give you a sense of the importance of AID, when I started in office the total amount of money AID spent, from all spigots, was \$7.9 billion. That was in fiscal year 2001, the last year of the last administration. Last year we spent \$14.2 billion. Our budget

has basically doubled in 2 years. That is not all Iraq. It's Afghanistan and we have increased the budget for Africa for the first time in 20 years, by a substantial amount, it's a 35 percent increase in the Africa Bureau budget. And it's been stable for 20 years, since the early 1980s.

Senator LEAHY. Some of that money came from the Congress over the objection of the administration.

Mr. NATSIOS. Well actually, no, this is the money we asked for. You did give us more money for HIV/AIDS. I didn't include the 2004 budget.

Senator LEAHY. And Afghanistan, 1 year there was zero in there for Afghanistan.

Mr. NATSIOS. I understand that. I understand that but the budget cycle in the case of Afghanistan started before 9/11 took place, so. But if you look at all of our accounts, they've gone up. The President is putting a huge increase in foreign aid. Now I might add, ODA, which is Official Development Assistance, that's the standard used worldwide for donor governments. The donor from all agencies, not just the U.S. Government, I mean, not USAID alone, was \$10 billion in fiscal year 2001. We estimate ODA this year will be up 150 percent to \$26 billion, and that is not primarily Iraq. In all these accounts, because of the Millennium Challenge account, because of HIV/AIDS, because of the President's 18 initiatives and foreign assistance, because of the increase in the Africa Bureau budget, because of the increase in famine assistance, there's a whole set of initiatives the President's made. So this is the largest increase in foreign aid since the Truman administration; we went back to our records.

Senator LEAHY. Including the \$146 million cut in international health programs and developmental assistance?

Mr. NATSIOS. Well, the priority of the Congress and the administration was in HIV/AIDS, and we put the money into those accounts.

Senator MCCONNELL. We need to move along here. We've got about 15 minutes left and Senators are still here. Senator DeWine.

Senator DEWINE. Thank you, Mr. Chairman.

SUDAN

Mr. Natsios, let me move to Sudan. When Secretary Powell testified before this subcommittee, I brought up the issue of Sudan. As the former special humanitarian coordinator for Sudan, maybe you can continue the dialogue I started with him. He testified that we're this close in regard to a peace agreement. But this week the Sudanese government requested the U.N. emergency relief coordinator to postpone his visit. The coordinator and the humanitarian agencies really need access to the affected region in order to help the people suffering there. Given the current crisis and the lack of access, as far as the U.N. Mission and the humanitarian organizations that they're facing, what are your thoughts about how the United States can play a constructive role now in ending this conflict and suffering?

Mr. NATSIOS. I think there are two separate conflicts here. One is between the North and the South.

Senator DEWINE. Right.

Mr. NATSIOS. That's been going on since 1982. And Secretary Powell was correct that there are about two remaining issues, one around power sharing, the other about the application of law in Khartoum for Southerners. Those issues are still outstanding. They are being dealt with but we're not at a resolution of those issues. There is a relative cease-fire in the South, and that's been holding with a couple of egregious examples, but for the most part it's been holding. The biggest tragedy in the world right now is in Darfur.

Senator DEWINE. That's correct.

Mr. NATSIOS. You're specifically referring to.

Senator DEWINE. Right.

Mr. NATSIOS. That is the worst disaster in the world. We are very concerned about it. President Bush has spoken to President Bashir about it; I've spoken to the foreign minister about it; Secretary Powell has spoken to Vice President Taha about it at length. We have gone to the Security Council for a review of what is happening. We have gone to the U.N. Commissioner on Human Rights for review of this. I've tried to get staff in; we do not have visas yet, in fact, the State Department is meeting for the second time with the Sudanese Chargé here to get permission to get our DART teams, Disaster Assistance Response Teams, into the country.

Senator DEWINE. Do you have your staff in?

Mr. NATSIOS. We have a small staff in Khartoum, but we need far more people to respond. We have negotiated with the European Union and the United Nations in agreement between the rebels and the government for access into Darfur. The problem is unless we have monitors in there we'll have no way of knowing whether the agreement is being enforced, Senator. So I just want to thank you for bringing this issue up; it is a great tragedy, that we're about to end one conflict, and we're starting a new one. The atrocities committed in Darfur are among the worst I have ever seen; 800,000 people displaced; 400 villages have been burned to the ground; irrigation systems have been blown up. We are extremely disturbed by what has happened. I'm spending a very large amount of time on this; I talked with Jan Eglund, who is the U.N. Undersecretary General for Emergency Operations yesterday and we are trying to assist his office in getting his people in. The head of the World Food Program, who I spoke with yesterday, Jim Morris, is being sent in as the leader of that delegation next week but we have to get him a visa to get in, and there are problems with that. So, it is a serious problem, we're spending a lot of time on it at very high levels.

Senator DEWINE. Good. Well, I'm glad it's at a high level, and I, you know, I know that the President has spoken about it. We appreciate that, I commented on that before but, you know, I appreciate your focus on it very much.

Let me ask another unrelated question. There's been a considerable amount of press and attention given to USAID's malaria control policies and programs. "New York Times Magazine" wrote a significant piece about DDT and USAID policy just last week. I wonder if you wish to comment or clarify USAID's position in regard to malaria and the use of DDT.

MALARIA PROGRAMS

Mr. NATSIOS. There are two ways to control malaria at the household level in countries that are prone to it. One is through insecticide-treated bed nets, which is the policy we have been pursuing. We have empirical evidence from the field and tests that this dramatically reduces malaria because most people who get bitten, particularly children, get bitten at night. And if they do not have the bed nets they get bitten and many of the kids die if they are malnourished. That is the policy we have been pursuing. There are people who argue we should be spraying with DDT. Some Africans are saying to me, wait a second, you want us now to allow you to spray in our villages something that is illegal in the United States? Please explain that to me. So it's interesting to have it debated this way in the newspapers in the United States, but the fact is we haven't made it legal to use DDT in the United States. Are there arguments for it? Yes, there are. It can be used with a relatively minimal level of risk if it's used properly at the household level. However, we have a strategy, it has been working, and the question is, do we want to divert the money we are spending now in the insecticide-treated bed nets into DDT? We are reviewing this now, and this is not just my decision to make. If we shift strategies it needs to be discussed in Washington widely because it will be controversial.

Senator DEWINE. More to come. Thank you. Thank you, Mr. Chairman.

Senator MCCONNELL. Okay, we're going to do two more rounds and that will be it for the hearing. Senator Durbin, followed by Senator Shelby.

MICRO CREDIT

Senator DURBIN. Thank you very much, Mr. Chairman.

Mr. Natsios, 30 years ago an economics professor in Asia set out to prove a point that he believed, that if you loaned small amounts of money to very poor people amazing things would happen. Thirty years later that concept of micro credit Mohammed Unis initiated in Bangladesh now reaches some 70 million people across the face of the earth. It's an incredible testament to this man's wisdom and tenacity and the fact that he had an open franchise; anyone can try it. And fortunately the United States has supported micro credit expansion in the name of economic development, certainly the liberation of women, the enrichment of families and increasing opportunities for education. We've had a pretty strong record in support of micro credit as a nation until this year. And I'm concerned about decisions made in your agency about micro credit. The President included no reference to micro enterprise in his budget; USAID did not include it in its Congressional presentation, either in the House or the Senate, either of your testimony; you've reduced the administrative status of the Office of Micro credit and cut its funding by as much as 50 percent, and your 5-year strategic plan makes no mention of it. Why is USAID backing off of its commitment to micro finance?

Mr. NATSIOS. Well Senator, I don't know where that information comes from. It is not accurate. We have made no cuts in micro finance.

Senator DURBIN. I can tell you exactly where the cuts were made.

Mr. NATSIOS. Well Senator, if I could just finish.

Senator DURBIN. Sure.

Mr. NATSIOS. First, there have been no cuts made in micro finance in this budget or next year's budget. The funding level remains at \$150 million. Second, the status of the office has been the same since the Clinton administration. We reorganized, and we created a new Bureau on Economic Growth, Agriculture and Trade instead of in the Global Bureau. But the status of the office has not changed at all in 3 years.

Senator DURBIN. Well, what used to be the Office of Micro credit has been downgraded to the Micro credit Development Team within the Office of Poverty Reduction, accompanied by a cut in administrative funding by about 50 percent.

Mr. NATSIOS. Well, that's because we're sending the programs to the field to be run.

Senator DURBIN. Well, let's talk about where they're going in the field, and that concerns me as well, because I think this tells a story. Listen. In 2002, less than half, 45 percent of your funding went to groups directly responsible for delivering micro enterprise funds. The majority of the funding went to organizations that were involved in consulting, other for-profit organizations, business associations, research and government agencies. Less money is going for micro enterprise and more money is going for bureaucracy and consulting.

Mr. NATSIOS. Well, some of the NGOs that are providing that information, I think are misleading the Congress. I have to say I'm disturbed by it because it's not accurate, sir. We are attempting to convert many of Mohammed Unis's great ideas and by the way, we were the first to fund Mohammed Unis and his biggest funder and have been for 30 years. A review was just done of the USAID Micro enterprise Program. We were ranked, of 17 bilateral and multilateral institutions, as having the best micro finance programs in the world. We are the model now for all development agencies and remain that. What we are doing now is converting and some of the NGOs are working in this. I could tell you a couple of NGOs that are doing this. NGO funding, by the way, has not been cut. They're still getting about 48 percent. What we're doing with the rest of the money is some of it to create a savings and loans association in cooperative banks to convert what our informal networks into community-based banking. It is consumer-owned.

Senator DURBIN. Well let me just say, I have been, before your administration, I have been to South Africa and asked USAID, show me your micro enterprise. They took me to Soweto Township and showed me where they were loaning \$10,000 a week to a gasoline station, owned by Blacks, which was quite an achievement in Soweto Township.

Mr. NATSIOS. Sure.

Senator DURBIN. But that was their idea of micro credit and micro enterprise, \$10,000 a week. What I have seen in micro credit

and micro enterprise, and you have seen, I am sure, is that much, much, much smaller amounts of money have dramatic impacts on the lives of poor people and their families around the world. And my fear is that we're starting to look at this as a Junior Chamber of Commerce instead of what it was originally destined to be, and that is a way of liberating some of the poorest people in the world from their plight and helping them send their kids to school. Is this a change in philosophy?

Mr. NATSIOS. No, actually those programs were run in the 1990s that you mentioned and they remain programs. We don't support just \$50 loans. We support loans that will produce more employment for poor people. Let's say a woman starts a micro enterprise program making dresses, let's say, for a \$100 loan. Some people are more entrepreneurial than others, no matter how much training you give, some people have that instinct in some societies—if she's successful, what we then do is, we say, can we give you \$500? Can you employ 10 women doing this in your business? And if she says she can then we give her larger loans. So there is an effort to take the more successful micro financed projects and scale them up so they employ more people. And I can show you examples all over the world where scaling up, in fact, is creating huge increases.

Senator MCCONNELL. We need to wrap up, Mr. Natsios, and give Senator Shelby a shot here.

Mr. NATSIOS. Okay.

Senator DURBIN. Thank you, Mr. Chairman. I'd like to submit the remainder of my questions in writing.

Senator MCCONNELL. Yes, that will be true of everyone. I know that Senator Leahy has questions to submit for the record and we'll do that for everyone. Senator Shelby.

Senator SHELBY. I just have an observation, on picking up on what Senator Durbin was saying and some of what the Ambassador was saying. I have seen a lot of micro credit work in Africa, in Central Asia, myself, small loans, and they do grow. And I do believe that those are good programs, as you do, and I hope we will continue to expand them in the world because they give opportunities at \$100 or \$50 that they never dreamed they would have.

Having said that, I want to get into a couple of more questions with you, Mr. Black.

Mr. NATSIOS. If I could just say, Senator, I fully agree with you and that is what we are doing.

Senator SHELBY. Thank you. Thank you.

IRANIAN TERROR

Iran has long been categorized by the U.S. Government as the world's leading state-sponsor of terrorism. Just a few weeks ago the Iranian convened what they call a terrorist summit. Attending were representatives of Hamas, Islamic Jihad, Hezbollah, allies of Al Qaeda, such as Ansar al-Islam, along with 30 other groups, all designated by the United States as terrorist groups. Furthermore, Iran reportedly used Syrian planes that were flown to Iran for humanitarian purposes following their recent earthquake to supply arms back to Hezbollah in Lebanon on their return flights.

Mr. Black, how and to what extent has Iran continued and expanded its material support for the Palestinian terror groups such

as Hamas and Islamic Jihad in the two years since Israel intercepted the ship transporting arms in January of 2002?

Ambassador BLACK. Iranian intelligence hasn't stopped one iota.

Senator SHELBY. Not a bit?

Ambassador BLACK. Not a bit. You and I have talked about this——

Senator SHELBY. Yes sir.

Ambassador BLACK [continuing]. Over many years, Senator.

Senator SHELBY. Yes sir.

Ambassador BLACK. And they continue to be as formidable as they were in those days. A lot of effort goes into trying to keep up with what they're doing, to counter them, but their associations with many terrorist groups are long-standing and very deep. The most well-known of these, of course, is Hezbollah, where they provide a significant portion of their funding. Their operatives of the Iranian Revolutionary Guards are accomplished and active in various areas of the world. They represent a formidable threat in the field of terrorism.

Senator SHELBY. Sure. What can you tell us here about the coordination with Ambassador Bremer and the CPA regarding Iranian involvement in Iraq, particularly with Ayatollah Sistani?

Ambassador BLACK. I would have to take that for the record. There are others that would know much more about this than I, Senator.

Senator SHELBY. Would you furnish that to us?

Ambassador BLACK. Yes sir, I'll get back to you, sir.

[The information follows:]

We coordinate very closely with Ambassador Bremer and the CPA regarding all indications of foreign influences in Iraq.

CPA and Iraqi officials share our concerns about the role Iran is playing in Iraq. We are particularly concerned about border security, and the potential inflow of foreign terrorists and weapons to Iraq.

There are also concerns that the Iranians may have contacts with insurgent elements in Iraq, and are seeking to ensure their capability to influence events in Iraq.

The CPA is working closely with Iraqi officials to address these issues related to Iraq's stability and security.

Iran, like other countries, should abide by U.N. Security Council Resolution 1373 to deny safe haven to those who plan, support, or commit terrorist acts and to affirmatively take steps to prevent the commission of terrorist acts by providing early warning to other states by exchange of information.

Iran should also abide by U.N. Security Council Resolution 1511 which calls upon all Member States to "prevent the transit of terrorists to Iraq, arms for terrorists, and financing that would support terrorists."

Senator SHELBY. Is Iran using Hezbollah to funnel money to terrorists in the West Bank in Gaza?

Ambassador BLACK. The amount of funds that goes to Hezbollah is substantial and to my personal knowledge and experience it's primarily used within Hezbollah itself but I would have to take that for the record.

[The information follows:]

Hizballah continues to be closely allied with and, at times, directed by Iran. The group continues to receive financial, training, material, political, diplomatic and organizational aid from Iran. We see clear evidence that Hizballah is actively undermining prospects for Middle East peace by taking an active role in supporting Palestinian terrorist groups. This assistance has come in various forms, to include guidance and encouragement, funding, training and other forms of material support.

We will continue to apply pressure on all states and entities who use terrorism to threaten the prospects for a just and lasting Middle East peace. This includes

working closely with our allies to put pressure on state sponsors Iran and Syria, seek support for U.S. terrorism designations (including U.S. Executive Order 12947—Prohibiting Transactions with Terrorists Who Threaten to Disrupt the Middle East Peace Process), and exposing the activities of these entities in our publications and public statements.

Senator SHELBY. Does that include bank transfers and other means, other unconventional means or some of both?

Ambassador BLACK. It's through a variety of means; money in suitcases and, you know, wire transfers and the whole spectrum.

Senator SHELBY. Are we doing everything we can to try to stop that, as far as you know?

Ambassador BLACK. Yes, we are, but there's always more we can do. This is a serious business and you know, we can always say there's a lot more that we can do and we are trying, Senator.

Senator SHELBY. The possibility of linking assistance to cooperation in combating terrorist financing—this has been brought up before. In testimony earlier this year, former Deputy National Security Advisor for Combating Terrorism, Richard Clarke, testified, suggested one approach to improving the level of cooperation among countries of interest would be the establishment of a certification process linking U.S. assistance to individual countries' records at cooperation in the war on terrorism including terrorist financing, very similar to the old process of certifying countries' cooperation in the war on drugs that we're familiar with. Is this a reasonable approach, to link this, or is it worth looking at? Mr. Ambassador, you want to?

Mr. NATSIOS. Eighty-five percent of our funding does not go through governments. It goes through trade associations, it goes through NGOs, it goes through universities, it goes through private businesses in competitive contracts. And so, we don't go—there are only about four or five countries left in the world where we actually give large amounts of money to the governments. So what I don't want to do is have a sort of—

Senator SHELBY. And those countries are Israel and who else?

Mr. NATSIOS. Egypt, Pakistan, and Jordan. There are a couple of, I mean, Bolivia, we're doing a little bit now but those are the big ones, that's where the 15 percent goes.

Senator SHELBY. Along this same line, it's interesting to note that of the seven countries listed by the Financial Action Task Force as non-cooperative in the effort to stem the flow of funds that support terrorist activities, one, the Philippines, has been a major recipient of counterterrorism assistance and another, Indonesia, presents us with one of our most serious long-term counterterrorism challenges in the entire world. Don't we need some kind of criteria? Or how do we do it? I know they need help, I know the Philippines definitely need help.

Mr. NATSIOS. Right.

Senator SHELBY. Indonesia is a heck of a challenge.

Mr. NATSIOS. In both countries, though, none of our money goes through the governments.

Senator SHELBY. Okay.

Mr. NATSIOS. It goes through these other means, and that's why we do it through other means so we can control the money.

Senator SHELBY. Control the money.

Mr. NATSIOS. Yep.

Senator SHELBY. Okay.

Mr. NATSIOS. But we'll certainly look at it, Senator. It's a legitimate point.

Senator SHELBY. Well, it's not original with me, it's just something—we just want to make sure the programs were working.

Mr. NATSIOS. Absolutely.

Senator SHELBY. Mr. Chairman, thank you for your indulgence.

Senator MCCONNELL. Thank you, Senator Shelby and Senator DeWine for staying to the end. And we thank you both for your service to our country and we'll look forward to getting the answers to the questions that are submitted in writing.

Ambassador BLACK. Thank you Senator, for having this hearing.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCONNELL. There will be some additional questions which will be submitted for your response in the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO ADMINISTRATOR ANDREW S. NATSIOS

QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

IRAQ

Question. Following the June 30 transition in Iraq, will USAID be the implementing agency for humanitarian, health, education and democracy and governance programs in Iraq?

Answer. To date, USAID has been successfully implementing a large-scale development program in Iraq in the areas of humanitarian assistance, economic growth, health, education, democracy and governance, and infrastructure. We are currently building upon and expanding our interventions in each of these sectors with funding provided under the second supplemental. The allocations to date are articulated in the April 5, 2004, section 2207 report. USAID is prepared to increase its portfolio, consistent with its areas of expertise, at the request of the Secretary of State.

Question. What impact can regional democracy activists—such as Egypt's Said Ibrahim—have in furthering political reforms in Iraq?

Answer. While it is important for democracy activists in the region to continue their efforts and raise their voices in support of democratic systems of government in Iraq and throughout the Middle East, it is more important that Iraqis are in a position to advocate for democratic reforms in their own country. In order for democracy to take root culturally, below the level of institutional structures, there must be a genuine Iraqi demand for the reforms. USAID's assistance program facilitates this transformation by working directly with Iraqis to secure an environment that protects the rights of minorities and other marginalized populations, promotes a broad-based understanding of democratic rights and responsibilities, professionalizes the civil service, fosters freedom of expression, and establishes an independent and responsible media. These efforts, however, could be enhanced by political activists such as Said Ibrahim and other scholarly interpretations by Arab religious, academic, and opinion leaders regarding the consistency between Koranic teachings and democratic principles and institutions.

Question. Has the liberation of Iraq already had an impact on freedom in the region—such as increased calls for reform in Syria or Libya's recent opening to the West?

Answer. The liberation of Iraq has sent a strong message regarding the intention of the United States to oppose dictatorial regimes which terrorize their own people and offer haven to terrorist groups. Given the timing of the war and the calls for reform in Syria and Libya, a case could be made for there being a connection. Whatever the motivation for these new openings, the critical factor is to provide the support and encouragement necessary to turn the promise they hold out into reality. Activities to develop more democratic policies and mechanisms and a more open

market economy should be undertaken to help facilitate transparency and equity in these countries' dealings with their own citizens and the rest of the world.

AFGHANISTAN

Question. What programs are being funded by the United States to provide alternatives to Afghan poppy farmers?

Answer. It is generally agreed that a successful counter-narcotics effort is predicated on a three-legged approach (interdiction, eradication and alternative livelihoods). USAID operates under the alternative livelihood heading. Few crops can compete with poppy. However, USAID is implementing some programs which help farmers with alternative sources of income through production of high value crops, such as grapes, apricots, almonds, pomegranates, pistachios, walnuts, cherries, melons and peaches, in addition to food processing, as an alternative to poppy.

USAID's agriculture program—Rebuilding Agricultural Markets Program (RAMP)—is working in several key areas of Afghanistan which are growing poppies—most notably Helmand, Nangarhar and Kandahar. Specifically, of the 32 projects which had been funded under RAMP by mid-April, five were exclusively directed at these provinces, with a total value of \$7,610,291. These figures exclude projects which will impact these provinces but which have a regional or nationwide scope. USAID advisors have actually gone into villages where poppy is grown, and had discussions with the village headmen to ask them to sign affidavits attesting that they will disavow poppy cultivation in exchange for USAID assistance. Anecdotally, this has been a successful approach.

In addition, USAID is rehabilitating farm-to-market roads and providing market and storage facilities to ensure that perishable produce can make it to the markets and facilitate their sale, once there. Under RAMP, improving market linkages and the "value chain" from field to market to processing to final sale is a key strategy to improving farmer's incomes. By focusing this strategy on both traditional and innovative, high value crops, the relative attractiveness of poppy cultivation is greatly reduced. These market and storage facilities are being constructed in eight provinces, including Nangarhar, Helmand, and Kandahar. To date, three are completed, another 65 are under construction, and 100 will be completed by June 30, 2004. By late Summer, 141 market and storage facilities will be completed.

Question. What importance do the British (who are in charge of counternarcotics operations in Afghanistan) place on alternative crops or employment opportunities?

Answer. The United Kingdom has adopted a plan to support the Afghan National Drug Control Strategy. The Research in Alternative Livelihoods Fund (RALF) is a component of the UK's development assistance program to Afghanistan which is administered by the Department for International Development.

RALF is a \$5.4 million effort over three years, whose overall scope is applied research and the promotion of natural resource-based livelihoods specifically directed to rural areas currently affected by poppy production.

We are working closely with the British to ensure that our programs are coordinated.

Question. Are these [counternarcotics] activities sufficiently funded?

Answer. The key to successful counternarcotics activity is a fully integrated and well-implemented program involving interdiction, eradication and alternative livelihoods. While additional funds are welcomed, emphasis must be placed on a well-coordinated strategy.

Question. Are education programs in Afghanistan having an impact in mitigating radical Islam among the nation's youth?

Answer. USAID's education program in Afghanistan is primarily geared at primary education, for grades one through six, though we have been providing textbooks through grade 12. With that said, there is an enormous cohort of youth who did not attend school under the Taliban and so need extra help in order to reach a grade appropriate for their age. Our accelerated learning is directed at these students. The program is expanding rapidly, with now 137,000 students enrolled in 17 provinces. This program has also trained 4,800 teachers, specifically trained in methodologies for these students.

We are also working to improve the quality of education in the regular curriculum. In the 2002 and 2003 school years we provided a total of 25 million textbooks, this year we will provide over 16 million more. We are also implementing a radio-based teacher training program to improve the quality of teaching. The program is now broadcast in six provinces through local broadcasters and nationwide through a national broadcaster. Twenty-six of these programs have been broadcast to date and initial results from monitoring of the pilot programs found that approxi-

mately 80 percent of Afghan teachers in the listening areas listened to these programs.

Lastly, data show that Afghan children and youth are increasingly returning to school. In 2001, under the Taliban, approximately 1 million Afghan children went to school, in 2002, the first year we provided textbooks, UNICEF measured that 3 million children were in school. Data collection was poor in 2003, but education experts working in Afghanistan estimated that the total was approximately 4 million children in school. Finally, the latest data for 2004 show that 4.5 million children are in school. Such significant percentage gains year over year in school enrollment indicate a vote of confidence in a peaceful, productive future among Afghan children, youth, and their parents.

Question. What threat does Afghani Islamic fundamentalism pose to reconstruction efforts in Afghanistan?

Answer. It is important to draw a distinction between Islamic fundamentalism and terrorist activities. Extremist political groups who sponsor terrorist activities continue to pose a threat to reconstruction in Afghanistan. Fundamentalism itself is not the problem.

SOUTHEAST ASIA

Question. How can the United States and international donors hold governments in the region more accountable for their actions—for example, in Cambodia where despite significant foreign aid, the country remains a corrupt narco-state that is a known haven to regional triads and terrorists?

Answer. USAID does not engage directly with the Cambodian Government, except in the areas of HIV/AIDS treatment and prevention, programs to prevent trafficking in persons, and basic education. Many USAID-supported activities are funded specifically to encourage government transparency and accountability: legal clinics that challenge some of the most egregious situations; democracy projects that promote alternative political approaches; anti-trafficking programs that highlight some of the worst cases of abuse; and labor union programs that promote the free exercise of union rights.

More broadly, USAID programs are not structured to “reward” the government. Rather, the aim is to improve Cambodia’s human rights performance, introduce new ideas about good governance and address some of the most challenging social issues facing the country. With regard to terrorism specifically, it should be noted that since September 11, the Cambodian Government has been an active and cooperative participant in the fight against terrorism. Specific actions include sharing information, closing possible “cells,” and shutting down extremist sites and potential staging grounds for terrorist acts.

During initial operations against the Taliban and al-Qaeda in Afghanistan, Cambodia quickly offered basing and over-flight rights for U.S. military aircraft (this offer still stands). It also arrested four people in May 2003 with alleged ties to a terrorist organization and closed two Islamic fundamentalist schools where these individuals were employed. In addition, Cambodia destroyed its entire stock of hand-held surface-to-air missiles. It also introduced an automated system to keep better track of people entering and leaving the country.

Question. What programs are currently funded by USAID that encourage and foster regional cooperation among Southeast Asia reformers?

Answer. USAID is funding four programs that are fostering regional cooperation efforts to address transnational issues and opportunities, promoting public-private partnerships, and facilitating the exchange of information and ideas among reformers in Southeast Asia. The Southeast Asia competitiveness initiative focuses on improving competitiveness of the Asian economy by building economic clusters in Vietnam, Thailand and Cambodia that work towards growth and help government and the private sector design and implement national competitiveness strategies. The Accelerated Economic Recovery in Asia program supports legal, judicial and economic reform in Thailand, Vietnam, Cambodia as well as Indonesia and the Philippines. The ASEAN program supports projects in three areas: bolstering the administrative and project implementation capacity of the ASEAN Secretariat; building regional cooperation on transnational challenges, including terrorism, human trafficking and narcotics, and HIV/AIDS and other infectious diseases; and fostering economic integration and development between the ten Southeast Asian member countries. The trafficking in persons program operates in Thailand, Laos and Vietnam, and focuses on prevention, protection and prosecution to combat trafficking.

Question. What programs are currently funded by USAID to counter the efforts of madrassas to recruit the region’s disaffected Muslim youth?

Answer. In Indonesia, the new basic education program will also include assistance provided for school-to-work transition, especially to out-of-school youth. Over time, this will increase the prospects for employment among young job-seekers. Improved prospects for meaningful employment, and the better future that it can bring, should lessen frustration and alienation among those young people who could, otherwise, be willing recruits for leaders who advocate extreme solutions to social and economic problems. These efforts in the education sector will be complemented by the new emphasis on job creation in the new USAID economic governance and growth programs.

In October 2003 President Bush announced in the Philippines that USAID would make available up to \$33 million in fiscal year 2004–2008 for education assistance in conflict affected areas of the Philippines—specifically in the Autonomous Region of Muslim Mindanao (ARMM). To counter the efforts of madrassas to recruit disaffected Muslim youth, the program's goal is to improve the quality of education in ARMM region schools where public schools are grossly under-funded and madrassas may be the only school within walking distance.

The Improved Access to Quality Education in Poor, Conflict-Affected Communities program is designed to address the political, economic and social marginalization of Muslim and other impoverished, conflict-affected communities in Mindanao with a goal to building peace and economic security.

Program focus areas are:

- Increasing community-based learning opportunities—especially in school-less, conflict-affected areas;
- Promoting reintegration of out-of-school youth into the peaceful, productive economy;
- Improving teaching capacity in math, science, and English in both public and madrassa schools and providing opportunities for madrassa schools to adopt secular curriculum;
- Reforming education policy.

Key achievements to date:

- A Congressional internship program for young Muslim leaders provided the first group of ten college graduates and graduate students with an understanding of the dynamics of the legislative branch.
- Peace Corps volunteers in collaboration with the USAID education program are providing math, science, and English training for teachers from Muslim areas of Mindanao.
- Public elementary and high schools in the ARMM have received up to five computers each, as well as software, printers, network and internet connection.
- USAID is distributing books donated by U.S. publishers to schools and libraries in conflict-affected areas of Mindanao where reference and books materials are in critically short supply.

In two other countries, Pakistan and Bangladesh, USAID is responding to vulnerable and at-risk Muslim youth. The emphasis of USAID's program in such countries is to develop a more credible public education system so families can select this option as a viable option over the madrassa system.

To this end, USAID is working along several tracks. One approach being explored is the introduction of innovative approaches for early childhood learning. Some of these involve engaging parents, some of them semi-literate or even illiterate, to be proactive in the education of their children, having mothers take a greater interest in school operations and engaging unemployed or under-employed youths in the community with some level of education to act as tutors for children having difficulty in schools.

Another element of USAID's support for early childhood development is through a mass media approach to improving literacy, numeracy and critical thinking skills in the next generation. In Bangladesh, a USAID-supported Bangladeshi-produced Sesame Street program will include messages of tolerance and non-violent conflict resolution, reaching out to a broad audience in Bangladesh in addition to pre-schoolers.

Third, USAID is seeking a better understanding of the madrassa education system and its relationship with the mainstream public (and private) education systems. The objective is to identify incentives and resources to improve educational content at madrassas and to determine if there are appropriate entry points for U.S. assistance for those madrassas that are registered with the host government and subscribe to a government-approved curriculum.

Finally, USAID is supporting innovative public-private partnerships to increase job skills of older students and better prepare those leaving schools for future employment.

ISRAEL

Question. How have USAID-funded programs in the West Bank and Gaza countered the efforts of Hamas to win the hearts and minds of the Palestinian people?

Answer. USAID funds a broad range of activities in the West Bank and Gaza that engage the youth population, and are aimed at dissuading Palestinian youth from aspiring to be terrorists. For example:

- Our democracy and governance projects teach the skills of democratic, civil, non-violent mobilization and advocacy. They reach out to school children and university students, providing mentoring, counseling, and structure, and at the same time imparting skills, knowledge, and appreciation for non-violent conflict resolution techniques.
- USAID-supported civic education media programs are widely disseminated and designed to deliver and reinforce the message that there are problems, but that violence is not a solution.
- Town hall meetings, panel discussions, and young leader training programs reach out into the heart of the communities that have been identified as prime breeding ground of suicide bombers, providing avenues of communication that are effective and healthy alternatives to violence.
- Through our various community service programs, we are trying to inculcate skills and positive experiences that will support non-violent conflict resolution behaviors. For Palestinian teens and young adults, we support programs that “get them off the street” into positive, healthy, mentored situations where they are engaged in activities conducive to adopting non-violent approaches to resolving the national conflict.

Additionally, Palestinians put a very high priority on education for children. While USAID/West Bank and Gaza does not work specifically on curriculum development or textbooks, we do fund significant training programs for teachers and students, which help students deal in alternative ways with trauma and anger. For example:

- Our “psycho-social” training project has reached over 32,000 students between the ages of 6 and 18 and their teachers. Activities under this project include play and art activities for children, geared towards helping them deal with the tension of the situation on the ground, and group discussions with parents and teachers.
- Our People to People program works with Palestinian Ministry of Education and Israeli public school teachers on developing a curriculum that recognizes the views, values, narrative, and humanity of each side in the conflict.
- We also improve the learning environment by building and repairing classrooms, libraries, and labs. The 800 classrooms that USAID has remodeled and rebuilt provide improved learning environments for children. Among other things, these new classrooms provide the opportunity for girls to go to school in areas that they previously were unable to because of space limitations.
- USAID funds have also provided summer camp experiences for more than 8,500 girls and boys. Basic themes of these in-school and summer camp activities include moderation, reconciliation, and overcoming conflict through peaceful means.
- Under our Tamkeen project one NGO in Gaza supports university students’ work on issues of democratic practice, including peer mediation and conflict resolution.
- Another NGO has provided extremely high quality civic education to thousands of people (mostly high school students) throughout the West Bank and Gaza.
- Under our Moderate Voices program NGOs work with teachers, Ministry of Education, and school administrators on a peace curriculum integrated with the regular school curriculum. It has also supported an initiative with high school students promoting democratic dialogue, attitudes, and skills, and an ongoing project in the Gaza Strip to enrich and emphasize democratic and human rights oriented values in the standard curriculum.
- Also in Gaza, a peer mediation and conflict resolution program conducted in UNWRA schools disseminates desired values and identifies and training peer leaders to act as mediators in conflict situations.

Finally, a significant portion of our overall programming is geared to meeting emergency health and humanitarian needs, creating jobs, providing educational opportunities, and supporting economic development. In this way, USAID programs give Palestinian youth hope for a better life and future.

This fiscal year we plan to use available funds to design and implement additional targeted activities, within the parameters of current U.S. law.

Question. What plans does USAID have for its programs in Gaza—particularly those relating to water—should Israeli withdrawal become a reality?

Answer. The primary issue that determines USAID Gaza water programs is the security situation and the cooperation of the Palestinian Authority in the investigation into the killing of three American Security Guards that occurred on October 15, 2003. On 4/28/04, the Department of State determined that the situation had not improved sufficiently for the major infrastructure projects—the Gaza Regional Water Carrier Project and the Gaza Desalination Plant Project—to continue. However, rather than terminate the project, the U.S. Government is simply continuing to suspend activity, and retain the funds allocated in the hopes that these important projects can be brought on line rapidly should the situation change. If the security risk level is considered acceptable and there is agreement that the PA has cooperated in the investigation, we will want minimal time to begin implementation of the Gaza Regional Water Carrier and perhaps six months to bid and award the Gaza Desalination Plant Project.

Directly related to the Israeli withdrawal may be the need to replace water supplies now being provided by Israel's Mekorot Water Company, primarily (but not exclusively) to Gaza's southern settlements. Once the settlements are withdrawn it is conceivable that Israel will no longer pump water into Gaza. Piped connections may have to be modified so that Gaza communities will be able to benefit from the Mekorot lines. USAID/WBG will investigate the engineering implications of this issue over the coming weeks.

In addition, we believe that several of the Israeli settlements in Gaza are now getting their potable water from local groundwater reserves. Where this is happening, it may be necessary to provide piped connections from the wells to the closest adjacent Palestinian water network. Whether and to what extent this may be required must also be investigated in the coming weeks.

Question. How does USAID ensure that no U.S. taxpayer funds for the West Bank and Gaza end up in the hands of terrorists?

Answer. The Mission is well aware of the dangers associated with providing assistance to terrorist organizations or those who are affiliated with such organizations. Country Team vetting and close oversight help the Mission ensure that funds do not fall into the hands of terrorists. Consequently, beginning in November 2001, the Mission implemented a program whereby Palestinian grantees and contractors must be vetted by the Country Team at the Embassy in Tel Aviv. This applies to all contracts in excess of \$100,000 and to all grants regardless of dollar value. In each case, the organization and its key personnel are reviewed to determine whether they are engaged in terrorist activity. Also, individuals applying for scholarships or to participate in USAID funded training programs are similarly vetted. To date, the Mission has vetted more than 1,000 Palestinian organizations and individuals.

Finally, the Mission, with congressional encouragement, has developed a robust risk assessment strategy. All Mission institutional contracts and grants—approximately 100—are audited on an annual basis by local accounting firms under the guidance and direction of USAID's Inspector General. Preliminary findings on the first 10 auditable units appear to indicate that except for some questioned costs, general compliance and internal controls appear to be adequate.

INDONESIA

Question. Will increased assistance for education and health programs help counterbalance the ability of JI and other extremist groups to recruit in Indonesia?

Answer. The increased assistance from USAID for education and health programs should help to counterbalance the appeal of extremist groups and messages in Indonesia. The new basic education program will support our efforts to counter extremism through its focus on critical thinking, improved teaching methodologies, democracy, pluralism and tolerance. The focus on improving the quality of public school education, through improvements in school governance and teacher training, will allow schools that follow the government-mandated curriculum to offer a more attractive alternative to parents and students who are currently turning to private and religiously-based schools for basic education.

The assistance provided on school-to-work transition and the special assistance to out-of-school youth should, over time, increase the prospects for employment among young job-seekers. Improved prospects for meaningful employment, and the better future that it can bring, should lessen frustration and alienation among those young people who could, otherwise, be willing recruits for leaders who advocate extreme solutions to social and economic problems. These efforts in the education sector will be complemented by the new emphasis on job creation in the new USAID economic governance and growth programs.

Similarly, although perhaps over a longer time frame, increased assistance to health and other basic human services can lessen the appeal of extremists. The provision of better quality health, water and nutritional services to people and communities should improve their quality of life, particularly among poor Indonesians, and help address the feelings of abandonment that can fuel the anti-government and anti-societal appeal of extremists. More broadly, the delivery of improved services by local governments, through management systems that encourage community participation, ownership and control, offers citizens a real voice in their governance and, by extension, a more substantive role in the development of effective dispute resolution mechanisms at the local level.

Question. How does USAID maximize information technology in its programs in a geographically challenging place such as Indonesia?

Answer. The decision to make Indonesia one of three focus countries for the President's "Digital Freedom Initiative" (DFI), announced by President Bush at the October 2003 APEC meeting, offers the opportunity for USAID to pursue Information and Communication Technology (ICT) solutions to development issues using a more strategic approach than was possible in the past.

In recent years, USAID has integrated ICT solutions into over thirty development programs, including efforts in: (a) electoral management (including GIS-assisted establishment of voting districts); (b) establishment of a website for the National Parliament; (c) promoting pluralist civil society and tolerant Islamic values by disseminating information on religious tolerance on-line; (d) international trade promotion and small- and medium-sized enterprise development; (e) establishment of a Center for Energy Information in the Ministry of Energy and Mineral Resources to facilitate private sector investment; (f) promotion of decentralized and strengthened management of Indonesia's forests, protected areas and coastal resources through on-line information centers; (g) establishment of a local government on-line support center to share decentralized governance "best practices" and provide access to donor agencies, associations of regional governments and regional government directories; and (h) establishing a nation-wide Nutrition and Health Surveillance System for households with mothers and children under five years of age.

Under the new fiscal year 2004–2008 Strategic Plan for Indonesia, USAID will further integrate ICT solutions into all assistance programs, to be coordinated under a DFI Plan that is currently in preparation. In addition to a special focus on ICT services and access, especially for the underserved, we will pursue specific ICT applications in our new basic education program, health and emergency relief services (including a proposed joint emergency information system with Microsoft and the Indonesia Red Cross), and local government service provision programs.

NORTH KOREA

Question. Given the extremely closed nature of North Korea, can any programs be conducted inside that country to promote democracy and human rights?

Answer. North Korea remains the most closed and isolated country in the world. The regime controls the people and ensures its survival by brutally restricting the flow of all information and ideas. In such an environment, it is virtually impossible to conduct any programs inside the country that overtly promote democracy and human rights.

Question. What programs can be supported among North Korean refugees to create an organized opposition to the thugs in Pyongyang?

Answer. The United States is not pursuing regime change in North Korea; support for programs meant to create an organized opposition to the regime in Pyongyang would not be consistent with that policy.

WEST AFRICA

Question. Do you agree that drug addicted, demobilized rebels in Sierra Leone and Liberia pose an immediate threat to the resumption of hostilities in the region—and easy recruits for terrorist organizations?

Answer. Based on extensive discussions in Sierra Leone with NGOs, youth groups, women's groups, traditional leaders, communities and peacekeepers, drug addiction among ex-combatants has not been found to be a serious problem.

In Liberia, however, the situation is different and drug abuse is thought to be a significant issue among (ex-)combatants. Despite these problems, they are not seen as a threat to the disarmament, demobilization and reintegration (DDR) process.

Question. What programs does USAID sponsor to ensure that these addicts are treated for their addictions?

Answer. USAID is well aware of the drug problems in Liberia and intends to use International Disaster and Famine Assistance funds to support activities that ad-

dress the issue. The current Annual Program Statement (APS) "Achieve Peace and Security through Community Revitalization and Reintegration" (APSCRR) clearly states that, "USAID is interested in funding suitable drug treatment programs under this APS."

We are currently reviewing proposals in this area submitted in response to the APSCRR APS and plan to support activities that would begin in the next few months. Activities will focus on both drug awareness programs and the treatment of drug addiction through support groups and substance abuse treatment facilities, which would be linked with ongoing reintegration/employment programs.

SOUTH AMERICA

Question. Does USAID have lessons-learned from efforts to counter drug cultivation in Central and South America that may be applicable to on going counter-narcotics efforts in Afghanistan?

Answer. Three lessons from counter-drug programs in Central and South America are important for counter-narcotics activities in Afghanistan and other areas.

- Drug production typically takes place in areas where there is no state presence. Expansion of state presence throughout the entire national territory is therefore critically important. Military and/or police forces must be able to arrest criminals and control illegal activities that take place anywhere in the country. The National Government must also provide, or support effective local governments that provide, essential government services such as access to justice, education, health, economic and social infrastructure, and other services that earn the trust, confidence and support of local people.
- Local support for counter-narcotics programs is essential for success. This support is gained through alternative development assistance which increases legal employment and incomes as well as through local government or community development programs that provide local infrastructure and improved local governments in exchange for community support to eradicate drug crops.
- If society views narco-trafficking as a foreign problem only, people will not support the actions needed to root it out. Communication programs are essential to teach and inform people at all economic levels about the dangers of drug production and narco-trafficking. People need information about how narco-trafficking affects their health, communities, the environment, families, and the economy. They also need to see examples of how narco-trafficking negatively impacts justice systems, institutions and democracy.

PAKISTAN

Question. Can you comment on the impact of U.S. assistance in Pakistan to counter the hateful ideology of madrassas and other extremists?

Answer. The primary objective of USAID/Pakistan's education sector is to provide the knowledge, training and infrastructure to support the Government of Pakistan's educational reform program. USAID assistance emphasizes high quality education programs for boys and girls throughout Pakistan, including public and private schools and registered madrassas wishing to avail themselves of the assistance. Two pilot programs in early childhood education and adult literacy are proving highly successful in changing the approaches of teachers, parents and administrators and making public schools more effective and attractive to students and their parents. The Government of Pakistan is interested in expanding these programs nationwide.

The "Whole District Initiative" provides materials and training to upgrade all schools wishing to participate in the initiative in four districts each in Balochistan and Sindh—two badly neglected areas of the country. These are demonstration projects, with the goal of replication in all districts of the country by Government with USAID and other donor support.

The USAID Teacher Education project provides the opportunity for selected Pakistani educators to study in the United States and gain first hand knowledge of the American culture and values as well as academic training to become better teachers and managers of educational services.

USAID is exploring expansion of school feeding programs currently funded by USDA in one district.

In June a project will begin to rehabilitate and refurbish 130 shelterless schools across all the seven agencies in the Federally Administered Tribal Areas (FATA). Schools, water and health facilities are the priorities of these communities.

Collectively, these measures may serve to undercut some of the appeal of Madrassa education in its more extreme forms. However, USAID programs cannot directly take on the problem of the Madrassas that foster or support terrorism. That responsibility must be assumed by the Pakistan Government.

Question. How do you envision the democratic development of Pakistan, and what programs are supported by USAID to advance democracy in Pakistan?

Answer. Recent developments indicate a positive trend towards democratic development of Pakistan. In 2002, Pakistan returned to democratic rule with elections of the national and provincial legislatures, with more than 70 percent of members being elected for the first time to parliament. This has created an opportunity to train these parliamentarians in the necessary skills to improve legislative governance, especially to be responsive to the needs of citizens. Pakistan has also opened up its electronic media to private sector ownership in the first time in its history. Now citizens have access to alternative choices and increased accountability in the media. Also, Pakistan is currently in the process of shifting political, administrative and fiscal responsibilities from central to local levels of government through a comprehensive devolution program.

USAID built its governance interventions to capitalize on these developments through a three-year, \$38 million program to help build a more participatory, representative and accountable democracy. It is designed to actively involve civil society, the key actors in eliciting democratic change in Pakistan, by (1) improving the capacity of legislators at national and provincial levels to effectively perform their legislative duties and better address the needs of citizens; (2) actively engaging civil society groups, media and political parties to address pressing social and economic issues; and (3) stimulating local governments to work with citizens to solve social and economic problems at the community level.

1. Improving the capacity of national and provincial legislatures to respond effectively to the needs of citizens

Program activities include:

- Providing technical assistance and training in drafting specific legislation, such as conducting background research and drafting policy papers;
- Assisting legislators and staff to improve legislative procedures and processes such as functioning of committees; and
- Support public forums where interest groups will discuss current legislative agenda topics, from passing a budget to reforming laws affecting women.

2. Civil society, media and political parties actively engaged in addressing key economic and social issues facing Pakistani society

Examples of activities are to:

- Improve the financial and operational sustainability of NGOs, such as introducing efficient auditing software programs;
- Develop the capacity of new, private radio stations to improve their programming content, including professional quality weekly news programs on women's issues;
- Train journalists to improve the quality of reporting through new university curriculum; and
- Strengthen political party processes and structures, such as improving intra-party communication and development of party membership lists.

3. Local governments working with citizens to solve social and economic problems at the community level

Projects which are demonstrating to citizens that their local governments are part of positive solution include:

- Small water systems for potable water and irrigation;
- Ambulance services and improved health clinic equipment; and
- Sanitation facilities such as latrines so that parents allow their children, especially girls, to stay in school.

Question. How will the fiscal year 2005 request for Pakistan—particularly \$300 million in economic aid—combat terrorism in that country?

Answer. The U.S. program in Pakistan has counterterrorism as its priority strategic goal. All programs are designed to support the government of Pakistan to achieve their goal of becoming a modern, moderate Islamic state. U.S. assistance programs are varied but targeted to address critical barriers to achieving the social and economic prosperity which is essential to fight terrorism.

Poverty and illiteracy are Pakistan's overriding limiting factors to becoming a modern state capable of offering alternatives to its citizens, and also to participating in the global economy. Without economic options and basic social services, the poor are easy prey for religious extremists.

Economic aid for Pakistan addresses the need for a growing economy that can reduce poverty through increasing literacy, improving basic health services and expanding employment opportunities for the poor, especially youth and women. Education programs will strengthen the central and local governments in their ability

to offer viable alternatives to religious schools. USG support ranges from sustainable investments such as updating education policy and teacher training to more immediate, practical investments in school infrastructure and teaching materials. Expanding access to basic health services is another targeted program which will help poor Pakistanis take advantage of economic opportunities. Through micro-finance and small business loans, entrepreneurs will not only increase their own standards of living but also offer employment in their communities.

In addition to a strong economy, Pakistan needs a stable democracy to become a moderate Islamic state. This requires strong institutions, trained civil society and government leaders, and an open environment for raising awareness of issues such as human rights. U.S. economic assistance programs offer training for legislators in basic governance processes which will strengthen Pakistan's national and provincial institutions. These programs will also expose legislators and their staff to the workings of modern Muslim and non-Muslim governance systems in other countries. Civil society organizations will be supported to prioritize, articulate and communicate citizen concerns to government officials at all levels, such as women's issues, poverty, and education.

Other innovative assistance activities are being implemented in support of devolution. One program is helping local governments and communities work together for the first time to provide basic services, especially in health and education. Expanding this pilot program, which demonstrates transparency and accountability through direct experience, is a priority. It improves the quality of life for poor citizens and also reinforces the potential for a decentralized, grassroots democracy.

SYRIA/IRAN

Question. What programs can be conducted in both Syria and Iran to foster political and social reforms?

Answer. There are few options for fostering political and social reforms that can be conducted in both Syria and Iran with Foreign Operations funds for political or social reform. Sec. 507 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2004 (Division D, Public Law 108-199) prohibits both Syria and Iran from receiving any funds appropriated under this act.

However, Sec. 526 (Democracy Programs) instructs, "that notwithstanding any other provision of law, not to exceed \$1,500,000 of such funds may be used for making grants to educational, humanitarian and nongovernmental organizations and individuals inside Iran to support the advancement of democracy and human rights in Iran."

Per this section of the appropriation bill, the Department of State is actively exploring opportunities to promote democracy activities within Iran, in accordance with this fiscal year 2004 congressional authorization. The Bureau of Democracy, Human Rights and Labor recently solicited Iran proposals and hopes to be able to fund projects within Iran this fiscal year. These projects will support the Iranian people in their quest for freedom, democracy, and a more responsible, transparent, and accountable government that will take its rightful place as a respected member of the international community.

Lacking an authority that would similarly allow assistance for Syria, foreign assistance funds cannot be used to foster political and social reform in Syria.

The Bureau of Educational and Cultural Affairs (ECA) of the State Department is able to use its base funding in Syria and has developed a full range of exchange activities to reach out to Syrians, with a special emphasis on women and youth. The following exchange activities are currently underway with Syria. They directly and indirectly address social and political reform by focusing on themes or individuals with the capacity to foster new approaches in Syria:

- Twelve Syrian undergraduates are among the 71 youth from the Middle East and North Africa to receive scholarships to U.S. colleges and universities in 2004 under Partnerships for Learning Undergraduate Scholarships.
- The University of Oklahoma, funded through a grant from ECA, will conduct a series of exchanges with Syria focusing on water management and water conservation issues.
- Ohio University, in partnership with ECA, is planning a summer institute for teachers of English as a Foreign Language from a half dozen NEA countries, including Syria. We currently have three English Language Fellows in Syria and expect to continue at this level in 2004-05. English language programs convey U.S. values and encourage access to economic opportunity.
- Columbia University's Center for International Conflict Resolution is planning a one-year, multi-phased project to bring together Syrian and American civil society leaders.

- 10 Syrian high school students (out of 440 students from the region) will participate in the Partnership for Learning Youth Exchange Program and spend an academic year living with American families and studying in U.S. high schools.
- The Fulbright program in Syria has grown in the last three years into a vibrant program encompassing visiting scholars (partially funded by Syria), visiting students placed in top U.S. universities, American scholars, and students.
- The International Visitor exchange program with Syria has averaged about twenty participants a year. Projects have focused on journalism, energy, micro-credit, women, tourism, and the environment.
- Each year, two to five Syrians participate in the Humphrey Fellowships Program which provides mid-career professionals in public service a year of academic training and professional experience in the United States.

Regarding Iran, ECA has initiated educational exchanges through a grant to the Council of American Overseas Research Centers (CAORC). CAORC, working with the American Institute of Iranian Studies, has a very active exchange program focusing on Iranian studies. If it is the political will of the Department to further develop ties with Iran, ECA will be a full partner in implementing exchanges which promote mutual understanding and respect, as authorized by the Fulbright-Hays Act of 1961.

EGYPT/SAUDI ARABIA

Question. With respect to United States aid for Egypt, what should we be doing differently in that country to “drain the swamp” that fomented extremism?

Answer. The U.S. Government promotes economic and political development through USAID programs that improve the lives and welfare of the Egyptian people. The program expands economic opportunities, improves education and health systems and provides for the expansion of basic infrastructure. In addition, U.S. assistance addresses critical issues in the area of democracy and governance.

The United States reviewed its democracy and governance programs during the year as part of a comprehensive assessment of its bilateral assistance to Egypt. Programs in 2003 and early 2004 focused particularly on justice sector reform; civil society with a special emphasis on gender equality; media independence and professionalism; and responsive local governance. These USAID-funded projects supported reform-minded individuals and progressive organizations that seek to modernize Egypt.

United States aid for Egypt can continue to identify and fund activities that foster inclusion, citizen participation and modernization. By strengthening civil society, promoting greater independence and professionalism in the media, and modernizing the judicial sector, USAID is creating a firm foundation for a flourishing democratic society. We have encouraged the Government of Egypt (GOE) to support new initiatives to conduct free and fair elections that include updated voter registration lists and multi-party platforms. We have worked with the GOE to strengthen a more independent and representative Parliament. In partnership with the U.S. Embassy, USAID continues to support progressive and reform minded individuals who have the vision and charisma to mobilize Egyptian citizens and policy makers towards more democratic policies.

Pursuant to the President’s Middle East Partnership Initiative (MEPI), we are supporting programs that affect ordinary Egyptians directly. For example, we are supporting the National Council for Women in order to promote women’s access to legal services throughout Egypt. We recognize that empowering women and promoting human rights is an effective way to combat terrorism and extremism because it allows citizens to better direct their frustration and exercise their rights. One non-traditional but creative way to use U.S. foreign assistance would be to foster peace and reconciliation programs in the region, thereby reducing violence and the incidence of extremism.

U.S. aid is also helping the GOE to create a globally competitive economy through policy reforms that will increase foreign and domestic investment, encourage export-oriented growth, improve workforce and business skills, and invest in information technology. These transformations will help bring about a more competitive economic environment within Egypt, allowing the country to reach higher levels in the global economy. Additionally, U.S. aid is providing assistance for educational reforms that empower teachers and parents at the local level. This support goes to training teachers to promote the vocational skills and critical thinking skills necessary to seek and hold jobs. When people are given an adequate education, are able to provide for their families with decent jobs and generally have more hope for a brighter future, they are able to make informed choices, leading to fewer tendencies to succumb to terrorist rhetoric.

Question. What impact would greater freedom of association in Egypt have in terms of releasing societal pressures that may give rise to extremism?

Answer. As noted in the 2003 Human Rights Report, the Government of Egypt (GOE) record on freedom of peaceful assembly and association remained poor. Both USAID and the United States Embassy in Egypt acknowledge that many serious problems remain. Through USAID-funded projects and diplomatic dialogue at both the senior and working levels, the USG encourages the GOE to create an enabling environment to foster greater freedom of speech and assembly.

This year, regardless of regular demonstrations that have anti-American sentiments, the United States Embassy strongly supported Egyptian citizens' rights to express openly and peacefully their views on a wide range of political and societal issues, including criticism of government policies and alliances. During the numerous unauthorized antiwar demonstrations, the U.S. Embassy reported on the large numbers of security personnel deployed to contain the demonstrators and followed the cases of those allegedly mistreated while in detention.

It should be noted that from experience in other countries, it is difficult to predict the impact of greater freedom of association and speech. On one hand, it is possible that in Egypt there could be, for the short-term, an increased number of demonstrations with anti-American undertones. Reform minded individuals and progressive groups seeking modernization and moderation could be discouraged in the short-term from publishing their views in the media by pressures from fundamentalist voices. Civil society organizations, already restricted by the 2002 Law 84 that grants the Minister of Insurance and Social Affairs the authority to dissolve NGOs by decree, could be temporarily stifled, paralyzed from espousing any progressive or reform oriented platforms.

On the other hand, the USG believes that freedom of association is defined too narrowly in the Egyptian context and needs to be broadened to include non-governmental organizations, the press, students, and professional associations. By increasing freedom of speech and association, this may encourage more reformist voices to participate and widen the space for political discourse. Through continuous dialogue in diplomatic channels and numerous USAID-funded programs, we encourage the GOE to encourage greater freedom of association and speech in the belief that this releases societal pressures and reduces the incidence of extremism.

QUESTION SUBMITTED BY SENATOR MIKE DEWINE

HAITI

Question. You are familiar with my bill, S. 2261, the Haiti Economic Recovery Opportunity Act of 2004. As you know, the bill is not a substitute for increased U.S. assistance, but rather a compliment. In a 2003 study, USAID concluded that the old version of the bill would have a dramatic impact on employment in Haiti, and the new bill goes even further in helping to "grow jobs." Secretary Powell voiced his support of the bill while in Haiti, and again before this sub-committee. Do you support the bill?

Answer. I, along with Secretary Powell, support the Haiti Economic Recovery Opportunity Act of 2004. It is very important to help improve the economy of Haiti, the poorest country in the Western Hemisphere. This bill complements USAID's economic growth activities in Haiti.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

HUMANITARIAN ASSISTANCE

Question. Mr. Natsios, there is nothing more basic to U.S. foreign aid than our humanitarian and development assistance programs. It is what the American people think of first, when they think of foreign aid.

The President's has talked a lot about his commitment to combating world poverty. But, his fiscal year 2005 budget would make cuts in several key anti-poverty programs, including a \$99 million cut in funding for international health programs and a \$48 million cut in Development Assistance.

I am sure this was an OMB decision and that you don't support these cuts. What effect will these cuts have, and how do you explain them given how hard we often have to work just to scrape together a million dollars here or there to keep good projects from shutting down?

The Secretary of State has said that this budget represents a quote “commitment to humanitarian assistance.” Given these—and other—cuts, is that how it looks to you?

Answer. As we all know, the United States is on a war-time footing and faces major budget challenges to meet the requirements of both homeland security and U.S. military defense needs overseas. But at the same time, foreign assistance is becoming a higher priority than it has been in many years, as evidenced by the President’s additional funding requests for the Global HIV/AIDS Initiative (GHAI) and the Millennium Challenge Account (MCA).

As I noted earlier in this hearing, the overall budget that USAID is currently managing also is much larger than it has been in many years. This increase is attributable to massive assistance efforts in Iraq and Afghanistan on top of maintenance of USAID’s current portfolio. While there has been a slight decrease in USAID’s traditional development accounts, we are already receiving some funds from the GHAI account, and additional transfers are likely. It is also anticipated that some USAID programs in countries that do not qualify for MCA programs (the threshold countries I mentioned in my opening remarks) may receive some MCA assistance to help them qualify later on. USAID will likely manage these programs, using MCA funds. USAID is very much on the front lines of major efforts to continue to assist those countries most in need, and I certainly agree with the Secretary’s view that this budget reflects the Administration’s commitment to maintain humanitarian assistance.

EDUCATION

Question. Mr. Natsios, the President announced a new education initiative for Indonesia, a Muslim country where millions of students are enrolled in Islamic schools similar to the madrassas in Pakistan. This initiative calls for some \$150 million over five years, or about \$30 million per year. That, I am told, is enough to reach maybe 10 percent of the students. In other words, we will be barely scratching the surface.

If we are serious about this—and I support it—shouldn’t we be spending amounts that will reach enough students to produce a real impact? And shouldn’t we be doing the same thing in other predominantly Muslim countries?

Answer. It is true that, in our program planning, USAID/Indonesia has estimated that activities funded under the \$157 million, six year Indonesia Basic Education Initiative will improve the quality of education and learning for approximately four million students, or ten percent of the enrolled student population in our target group. The target population encompasses grades 1 to 9, or Indonesian primary school and junior secondary school. At the time the concept paper for the new education initiative was developed, USAID/Indonesia had proposed a \$250 million, five year program. Clearly, additional resources would allow us to directly assist additional Indonesian students and teachers.

We are, however, designing our education activities with an eye to replication at the local level, using Indonesian local government and central government resources. We are also working closely with a number of other international donors to agree on a more standardized “package” of basic education approaches that can be extended to additional districts and students using other donor funding. In addition, we plan to work with a large number of Indonesian and international companies that have expressed an interest in supporting educational development, on a significant “Indonesian Education Public-Private Alliance.” Finally, we are working with the United States-Indonesia Society (USINDO) and the Indonesian Embassy in Washington to identify other potential partnerships.

Through these innovative program approaches we seek to maximize the impact of the Indonesia Basic Education Initiative funded by the U.S. Government.

RECONCILIATION AND UNIVERSITY PROGRAMS

Question. Mr. Natsios, I want to commend USAID for the way it is responding to our concerns about the need for a designated pot of money, with a designated person to manage it, to fund reconciliation programs and university programs. Both are strongly supported up here, and we need to be sure that universities and organizations that submit unsolicited proposals will not get lost in the bureaucracy down there.

On the reconciliation programs, although most organizations that we know of are working in the Middle East—like the Arava Institute for Environment Studies—this is intended to be a worldwide program. We want to encourage organizations in places like Cote D’Ivoire, Colombia, and other conflict areas to participate, not only in the Middle East. And ideally, we would like to see a request in the President’s

fiscal year 2006 budget for these activities. So I appreciate your support and would welcome your thoughts on this.

Answer. USAID's Office of Conflict Management and Mitigation (CMM) has been working closely with the State Department to develop a transparent, competitive process for the allocation of \$8 million in the fiscal year 2004 Economic Support Fund earmarked for reconciliation programs. Several weeks ago both State and CMM staff briefed Congressional staff on progress in that regard.

We intend to focus on critical countries representing all the regions of the world where we believe the provision of additional funds will have an impact. Country selection is based on a number of factors including a desire to assist reconciliation efforts among actors in countries currently experiencing conflict as well as those emerging from conflict. Proposals will be reviewed jointly by State and USAID on a competitive basis and judged against conflict criteria guidelines previously established by CMM.

USAID STAFF

Question. Mr. Natsios, in my opinion, USAID does not have nearly enough staff, particularly in your field missions, to manage the number of contracts and grants you should be funding. Because of the shortage of staff, the trend has been in favor of big Washington contractors, which are not always the best qualified for the job. But they are the only ones capable of navigating the regulations for applying for contracts, which have become so burdensome and expensive that smaller contractors and NGOs can't compete. This is wrong, it has gone on for too long, and it has repercussions for everything USAID is trying to do.

How many staff have you lost since the mid 1990s, and how can we do the job that needs to be done if you don't have the people to do it? Are you requesting the budget you need to support the staff you need?

What are you doing to make it easier for smaller NGOs and contractors to compete?

Answer. In 1990, USAID had 3,262 U.S. direct hire staff (USDH). We now have just under 2,000. Many believe that we compensated for the loss of staff in the 1996 reduction in force (RIF) by hiring U.S. personal services contractors (USPSCs) and Foreign Service Nationals (FSNs). This is not accurate. FSN staff declined from 5,200 to 4,725 from 1996 to 2002, while USPSC staff increased slightly from 591 to 628 in the same period.

In fiscal year 2004, to begin recouping the loss of staff during the 1990's, the Administration requested Congressional support for the USAID Development Readiness Initiative. Built on the same concept as the Secretary's Diplomatic Readiness Initiative for the Department of State, USAID is seeking to increase its baseline staff from 2,000 USDH to approximately 2,500 over a four year period. In fiscal year 2004, USAID received adequate funding to hire approximately 50 additional people above attrition. This will allow us to fill long standing field vacancies, allow more in-service training and respond to new program requirements such as the President's AIDS initiative and new programs in Iraq, Afghanistan, and Sudan.

In 1995, prior to the RIF, USAID moved less than half the dollars we obligated last year with over 170 people in the Office of Procurement. Today we have 123 people to handle the funding increases associated with Iraq, Afghanistan, and now HIV/AIDS. In order to handle this workload while we rebuild our staff, we have been forced to award larger contracts and grants. We have also set the funding levels very high on our Indefinite Quantity Contracts (IQC) to allow for more flexibility. Without appropriate staffing to administer the contracts, the Agency is concerned about proper oversight of the awarded contracts. USAID consequently needs the planned increase in procurement staff to adequately handle the funding increases associated with Administration priorities.

At the same time, USAID is attempting to meet the President's directive against bundling contracts and the increased subcontracting goals from the Small Business Administration. USAID has expanded its use of small business set-asides for IQC contracts and expanded its evaluation criteria to emphasize the importance of subcontracting requirements. For example, under USAID's Iraq Phase II Infrastructure award, the solicitation document included an incentive fee for firms that propose subcontracting opportunities with small businesses beyond the Coalition Provisional Authority (CPA) minimum goal of 10 percent. In addition, USAID proposed an incentive award payment of \$1 million to any prime contractor exceeding 12 percent of all subcontracted dollars to small, disadvantaged, woman-owned or disabled veteran-owned businesses. This incentive for prime companies to incorporate small business into their sub-contracting plans is a first for USAID. While not the typical set-aside procedure found in private sector practices, we feel this is a major step

toward encouraging prime contractors to engage U.S. small businesses at a broader and more profitable tier, while providing essential exposure to greater opportunities.

USAID's Office of Small and Disadvantaged Business Utilization (OSDBU) has also pioneered efforts to reach the small business community. In the fall of 2003, a Procurement Forecast was published to assist small businesses with anticipating Agency contracting opportunities for up to one year in advance. OSDBU also has a publication, "Creating Opportunities for Small Business," available in booklet and "mini-CD," which provides both an overview of doing business and hyperlinks to useful sites both within USAID and throughout government. OSDBU also hosts small, monthly sessions where small businesses can meet with and learn about upcoming business opportunities from a broad range of the Agency's skilled technical officers.

COLOMBIA

Question. Mr. Natsios, in your prepared testimony, you mention Colombia, and that the, quote, "only effective strategy is to literally clear the ground for the licit crops that will feed the nation while aggressively pursuing eradication of the others." Unquote.

We are spending hundreds of millions of dollars each year to spray herbicide to destroy the coca. But the amount we are spending to help communities in these areas with alternative sources of income is woefully inadequate. The work USAID is doing is excellent, but it barely scratches the surface. Isn't this strategy doomed to fail, if we don't provide the resources to give people the means to survive without growing coca?

Answer. Thank you for recognizing USAID's efforts. Colombia's problems are extremely complex and require a combination of "hard" and "soft" assistance. Military and police assistance is crucial because insecurity, lawlessness, and lack of state presence are at the heart of Colombia's problems. Military and police assistance create a positive security environment that is necessary for effective implementation of "soft" assistance like economic development, institutional reform, anticorruption, human rights, access to justice and humanitarian relief, trade, and private sector support to increase legal employment and incomes. But a program composed of only "hard" assistance cannot succeed. USAID's "soft" assistance programs are essential complements to the military and police assistance programs, and are needed to make gains from the "hard" activities permanent. "Soft" developmental programs leave behind legal production systems and improved institutions at all levels which earn the trust and confidence of citizens and show them that they can work together to solve problems. Perhaps most importantly, soft side activities demonstrate that there is a legal way to survive and that citizens do not have to be part of a criminal organization that brings violence and insecurity into their communities and into their homes.

POPULATION GROWTH

Question. Mr. Natsios, about 95 percent of world population growth is now occurring in the developing world. It is one of the defining characteristics of underdevelopment, and a key cause of political instability and economic stagnation in many countries. Shouldn't we be spending more on international family planning to slow population growth so that these underdeveloped economies have a chance to grow?

Answer. In each year of the Bush Administration, the Agency has requested \$425 million for population and reproductive health. The request level is \$40 million higher than the appropriated levels in each of the preceding five years, which ranged from \$356 to \$385 million.

USAID has also has taken steps to be more strategic in allocating funding across countries. Beginning this year, population and reproductive health funds from the Child Survival and Health Account have been allocated according to criteria that emphasize need, taking into account population size and density, fertility, and indications of unmet need for family planning. By directing resources to countries with greater need—principally countries in Africa, Near East and South Asia—our funds can go further and have greater impact.

As I stated in my remarks before the Senate Foreign Operations Subcommittee in April, the combination of a high concentration of young people, especially young men, with high rates of unemployment creates the conditions that foster political instability. USAID assistance for improving health, including family planning, combined with interventions that expand economic opportunity can help alleviate these conditions and bring greater stability to the developing world.

COORDINATION OF FOREIGN ASSISTANCE

Question. Mr. Natsios, in your opening statement, you mentioned that “development” has been elevated as a third part of the President’s national security strategy. I agree that development is important, but as the old saying goes, actions speak louder than words. I am concerned that the Administration’s policies have undermined the ability to effectively coordinate foreign assistance by creating all sorts of new entities and initiatives. Let me give you some examples:

—The Millennium Challenge Account, a new independent agency, will eventually provide \$15 billion in foreign aid.

—The Coalition Provisional Authority, a Defense Department entity, is administering, as you point out in your statement, the largest foreign assistance program since the Marshall Plan.

—A new AIDS Coordinator, whose physical offices are not even located within either the State Department or USAID, will be in charge of \$15 billion.

These are just the ones that I can remember.

Has the proliferation of new entities and initiatives—all of varying autonomy and reporting to different agencies—undermined our ability to effectively coordinate foreign aid programs?

Answer. With the greater understanding of the importance of development, as well as the increase in resources being devoted to development, it is not surprising that there are more actors involved in foreign aid today than there have been in the past. We are living in a more complex era and face a much broader range of challenges than we have in earlier years. We are very closely involved, either as implementers or in other capacities, of all the new foreign aid initiatives you cite, and believe USAID has a valuable role to play in helping to coordinate these initiatives.

USAID has developed a very close working relationship with the entities you mention, and looks forward to coordinating efforts with various implementing partners. In the case of the Millennium Challenge Corporation, as a Board Member I will be directly involved in overseeing its operations. USAID is currently working closely with the MCC staff to develop a strong institutional linkage both in the United States and in the field.

SECURITY IN IRAQ

Question. Mr. Natsios, when Congress was debating the Iraq supplemental last October, Ambassador Bremer stated that reconstruction efforts directly affect the safety of our troops. News reports indicate that the latest violence in Iraq has seriously hampered reconstruction efforts. Perhaps the best evidence of this is that only 1/9 of the funds from the Iraq supplemental, passed 6 months ago, has been obligated and I suspect that far less than that has been actually expended. How seriously is the violence in Iraq impeding reconstruction efforts? Is this slow down in the reconstruction threatening the safety of our troops, as Ambassador Bremer suggested last fall?

As we all know, USAID, as well as the Defense Department, relies heavily on contractors and NGOs to implement many of its programs. We all saw the tragic events in Falluja where American contractors were brutally murdered, leading to the standoff in that town. Isn’t a major part of the problem in Iraq that the CPA cannot provide security for many contractors there? What is being done to improve the ability of contractors and NGOs to operate in Iraq?

Answer. USAID has strict security guidelines for its staff and technical experts, and these guidelines have served us well. USAID’s security officers coordinate daily with the security advisors of all of its implementing partners to ensure everyone has the most up-to-date information on the security environment to inform program decisions.

Our work in Iraq has not stopped, despite the recent violence in some areas of Iraq. Where it is safe, our expatriates are on the job, and in almost every area, our Iraqi assistance staff is still working with their counterparts. Where the situation is unsafe, we have temporarily relocated some of our expatriate staff.

QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

TERRORISM

Question. Many have argued that especially since September 11, USAID needs to ensure that development assistance activities more directly complement the global war on terrorism. Through a variety of activities—basic education, health care, agriculture, expanding opportunities for women, job creation, micro-enterprise, pro-

moting the rule of law—the United States can help counter conditions that give rise to terrorism. These programs and others like them have been core USAID priorities for many years, long before the terrorist attacks in the United States.

—Given the requirement to augment American efforts to combat the threat of terrorism, what changes have you made in designing and implementing these activities so that they are more effective in the fight against terrorism?

—Is this a matter of simply spending more money on these critical activities, or should the programs themselves be re-tooled and re-focused in order to achieve the intended results?

—What indicators will you most closely monitor in order to assess the impact of development assistance and its contribution to combating terrorism?

Answer. The War on Terrorism has sharpened the focus of our development assistance programs. In addition to addressing the social and economic needs of countries which combat terrorism in the long term, USAID is also working with other U.S. government agencies to target our assistance on specific short-term programs in three areas: denying terrorist access to new recruits, funds, and sanctuary.

To counter terrorist recruiting we are doing three things. First, in communities that have radical Islamic schools, we are supporting secular and moderate madrassas that provide an attractive alternative to radical schools. Second, we follow up with skills training for youth that gives them an opportunity for employment and a viable alternative to going to the terrorist training camps. Third, we couple this training with small enterprise development programs to provide employment and allow youth to make a legitimate contribution to their communities.

USAID also supports programs aimed at denying terrorists resources, primarily from money laundering activities. To shut down this illegal flow of funds, USAID has provided hardware and technical assistance to the Financial Intelligence Units (FIU) of Central Banks in key financial hubs to prevent suspicious transactions that lead to money laundering operations. We have approved support to the Palestinian Monetary Authority to help set up their FIU with the intent of stopping the flow of illegal funds into the West Bank/Gaza region. We have supported similar programs in Indonesia and the Philippines. In conjunction with the support of the FIU we have enhanced our technical support for bank supervisors to focus on these same crimes.

A third area of programs aims at denying sanctuary to terrorist training operations. USAID is working to strengthen weak governmental structures that might be prime targets for terrorists, as in Afghanistan where we have focused our assistance through the interim government to establish a stable national government. People need to have confidence that the government will provide the public services needed to recover, such as schools where children will not be subject to terrorist indoctrination and refugee resettlement and repatriation programs that will not be breeding ground for terrorists. To counter their attempts to use Muslim communities with weak governmental institutions as training camps, we target these communities for institutional reform programs for both government and NGOs.

To monitor the impact of our counter-terrorism and development programs, we will use our normal performance indicators with specific additions tailored to counter-terrorism objectives. For instance, we will pay particular attention to high risk areas, such as closely monitoring the number of new students in secular or legitimate madrassas. We will also monitor attendance in skills training programs and the increase in employment in vulnerable sections of critical countries. In financial institutions, we will monitor the number of suspicious transactions investigated by the FIUs. We are also closely tracking the number of countries that implement counter terrorism laws and anti-money laundering laws. These and other indicators will provide a clear signal on the effectiveness of these counter terrorism programs.

Question. Substantial sums of foreign aid resources are being directed at the so-called “front-line” states in the war on terrorism. With the exception of HIV/AIDS resources (which I support), funding for most other development aid activities in USAID’s fiscal year 2005 budget proposal is either flat or reduced when compared with fiscal year 2004 budget levels.

—Are you concerned that development priorities in countries not directly related to counter-terrorism goals are being short-changed?

—Some argue that unless a country is a strategic partner in the war on terrorism or has a severe health crisis, the fiscal year 2005 foreign aid budget neglects them, even if assistance might meet other important U.S. foreign aid objectives. How do you respond to this criticism?

Answer. What does an anti-terrorism program look like in a developing country? In addressing the root causes of terrorism, it would focus on developing respect for rule of law, through transparent and non corrupt practices; cutting off funding sources for terrorists by criminalizing money-laundering and prosecuting the offend-

ers; providing options for legitimate ways for citizens to earn a living without fear of extortion; expanding education opportunities to reach the most disenfranchised groups to build hope for their own development; and building democracy and accountability within all elements of society. Not coincidentally, such programs also reflect the focus of USAID's development goals.

Since its inception, USAID has been at the forefront of implementing programs that address the root causes of terrorism. While funding since September 11, 2001, has become more targeted with regard to correlating our programs with counter-terrorism programs, the nature of our work has not changed dramatically. Terrorist groups prey on the poor and weak countries as training grounds for their operations in other countries. USAID has both experience and expertise in developing effective programs to improve livelihoods of citizens in poor and weak countries, thereby eliminating the underlying conditions terrorist look to exploit. In this way, the goals of counter-terrorism and the goals of USAID are closely aligned and reinforce our national security goals.

With the reality of funding constraints, allocation decisions are always a challenge. Thanks to the heightened emphasis the present Administration has placed on development as the third pillar of foreign policy, USAID has been able to expand its programs into countries of strategic importance to U.S. foreign policy. This expansion has come in addition to, rather than in replacement of, on-going programs in other needy countries.

Question. In terms of the terrorist attacks that we have seen in recent months, the connection between failed states and the roots of terrorism appears to be more indirect than we used to believe. Instead of operatives coming out of places like Sudan and Afghanistan, for example, we seem to be witnessing the emergence of local terrorist organizations in states like Turkey and Spain taking up the goals or ideology of Al Qaeda.

—How do you use foreign aid to fight an ideology that emerges in a relatively wealthy state?

—With this emerging successor generation of Al Qaeda-associated operatives, from the perspective of counterterrorism, are we missing the point in directing our resources toward so-called front-line states? Where exactly is the “front line”?

Answer. The terrorist groups are primarily using poor and weak countries as training grounds for operations in other countries. Current terrorist groups have been able to link radical Islamic rhetoric with retribution for alleged grievances as a justification for violence. To win the “war of ideas” this linkage has to be broken and replaced with confidence in the law as a means to resolve grievances. USAID uses foreign aid to work on two fronts to achieve this objective. First, our Muslim Outreach and other democracy programs reinforce the principles of religious freedom and democratic governance, whether in “relatively wealthy” or poor states. Secondly, we continue to encourage weak states to build stronger and more responsive institutions on the foundation of the rule-of-law. As one example, in response to terrorists’ use of legitimate charities for funds, we are working to develop and pass anti-money laundering laws, detection by bank examiners, and the prosecution for these financial crimes through the courts. In addition, there are numerous other USG agencies with active counter-terrorism programs working in countries, particularly in the Middle East, where USAID does not have a presence.

Front line countries are those countries easily exploited by terrorists, either for operational bases or for laundering money. The new generation of terrorists, regardless of where they come from, will continue to look for bases of operations, communication, and for financing. It is in these front line countries where we have the best chance of defeating terrorism.

Question. What specifically would you say has been the effect of the war in Iraq on the roots of terrorism in the Middle East?

In what demonstrable way is foreign aid to Iraq reducing the terrorist threat against the United States and its allies?

Answer. The UNDP’s “2003 Arab Human Development” Report identified lack of education and economic opportunities and a generally repressive environment as causes of the sense of hopelessness that leads to terrorism. The war in Iraq has overthrown an oppressive regime, enabling for the first time in decades citizens to have a greater voice in public dialogue, and participate more freely in political processes. Schools have been rehabilitated, allowing more children, especially girls, to return to school. In addition, over 30,000 teachers have been trained in new teaching methods that enhance tolerance and respect for diversity in the classroom. Tens of thousands of jobs have been created for Iraqis, and extensive progress has been made in strengthening local government and the delivery of essential services to the local level.

Lack of educational and economic opportunities and a generally repressive environment are major causes of the sense of hopelessness and disenfranchisement that leads to terrorism. Ill-educated, unemployed youth are a major demographic group in the Middle East and they provide a fertile field for terror groups. The solution is to provide the guidance and resources necessary to develop an educational system that gives a graduate the appropriate skills (including computer training) to be gainfully employed. Assistance to small and micro enterprises, including micro-credit, is crucial as small businesses provide a key opportunity for employment. A business-friendly policy environment must be developed to encourage foreign investment and expedite the development of local industries. In addition, democratic practices need to be supported, providing citizens with the opportunity to hold government officials accountable and to participate directly in the decision-making processes that affect their daily lives. All these are development activities that must be provided in order to reduce the growing terrorist threat.

Question. If terrorists are increasingly using advanced technologies like the Internet to do such things as coordinate operations, find information about weapons of mass destruction, and recruit members, how are we ensuring that we provide foreign aid in such a way that we avoid enabling members of terrorist organizations to be more effective?

Answer. Modern technology allows terrorists to plan and operate worldwide from the shadows. The Bali bombing was planned in Malaysia, and the explosives were purchased in the Philippines with funds siphoned off Islamic charities in the Middle East. This was all handled through the internet. Today's terrorists are smart, technologically sophisticated, and linked worldwide.

To beat these terrorists we must be smarter, more computer wise and better linked than they are. We must use technology to close-off their operating space, to push them out of the shadows. We are doing this by sharing data among nations, by equipping our partners with IT equipment that works together, and being on top of information that can lead to terrorist plots. As one example, USAID is currently working with Central Banks in several countries to spot money laundering activities, by providing the computer equipment so Bank Financial Intelligent Units can process suspicious transaction reports quickly, identify who is conducting financial crimes, and build the body of evidence necessary for conviction.

Terrorists are quick to convey information from one country to another through modern communications. The law enforcement community is getting even better and faster at communicating information, using detection techniques, and connecting terrorist data bases. USAID is working with the newly established, Terrorist Threat Integration Center, which acts as a hub for information provided by all sources on terrorist activities, known or suspected terrorist individuals or organizations, and other related data—even the most remote data. This allows all the different organizations to have instant, on-line access to the most recent information on the terrorist activities.

MICROENTERPRISE

Question. USAID has been a global leader in the area of microenterprise, but we need to coordinate our efforts with other major players—particularly the World Bank and the United Nations Development Program (UNDP). The Microenterprise for Self Reliance Act of 2000 directs the administrator of USAID to “seek to support and strengthen the effectiveness of microfinance activities in the United Nations agencies, such as the UNDP, which have provided key leadership in developing the microenterprise sector.”

—What steps have you taken to strengthen the effectiveness of microfinance activities in the UNDP?

Answer. USAID and UNDP are both active members of the Consultative Group to Assist the Poor (CGAP), the 28-donor coordinating body for microfinance. USAID financial and technical support has strengthened donors including UNDP in a number of ways. Over the past 18 months, for example, CGAP has coordinated a “peer review” process to increase aid effectiveness in microfinance. Seventeen donors, including USAID and UNDP, have been assessed through this process. In each case, the peer review team has identified very specific areas for improvement and has proposed steps to strengthen the strategic clarity, staffing, instruments, knowledge management, and accountability of the microfinance activities of the agency being reviewed. The findings have been shared with other donors. UNDP has taken a number of concrete steps to respond to the findings, and Mark Malloch Brown, Administrator of UNDP, provides leadership to the microfinance peer review initiative.

USAID has also worked with other CGAP members to develop stronger donor practices, including the recent drafting of core principles for microfinance that we

expect to be endorsed by all CGAP members. At the last annual meeting, the CGAP member donors endorsed new requirements for membership, including comprehensive reporting of microfinance activities and results. We have also used CGAP to collaborate on developing new tools for microfinance donors, such as common performance measures. USAID, UNDP and CGAP took the lead in developing specialized microfinance training for donor staff, and many staff from UNDP and other donors have benefited from the week-long course.

USAID also takes responsibility for developing knowledge and “how-to” materials in specific areas, such as post-conflict microfinance and rural and agricultural finance. We invite participation from other donors in this work. Next month, for example, we will convene a donor forum on recent innovations in rural finance and their implications for the donor community. UNDP will, of course, be invited to participate. Finally, in the field USAID is often involved with UNDP in in-country donor coordination efforts in the microfinance arena.

Question. I am concerned that the UNDP has not joined USAID’s efforts (required by Public Law 108–31) to develop cost-effective poverty-assessment tools to identify the very poor—those with an annual income 50 percent or more below the poverty line as established by the government of their country—and to ensure that substantial microenterprise resources are directed to them.

—Will you work with Congress to encourage UNDP to expand its microenterprise efforts for the very poor and to use the poverty measurement methods that USAID is developing so that we can be sure that these funds are reaching the people who need them the most?

—What specific efforts do you believe will be effective in convincing UNDP representatives of the importance of targeting to the very poor?

Answer. USAID has invited the Consultative Group to Assist the Poor’s (CGAP) technical and financial collaboration in developing the poverty assessment tools, as a means to ensure that the broader donor community is aware of and involved in this important work. An ambitious work plan is underway to have the tools designed, field-tested and ready for implementation by USAID in October 2005. Over the coming year, we will be testing preliminary tools in the field with diverse partners. This should begin to provide evidence of the value and practicality of the USAID tools for other donors. We would welcome closer involvement of UNDP and other donors in this work, through CGAP or directly. We expect that the tools will prove sufficiently valuable and cost-effective to suggest ways for donors and practitioners to better serve very poor clients.

BASIC EDUCATION FUNDING

Question. Mr. Natsios, last December, 18 Senators and 63 Members of the House wrote to the President urging him to use the G–8 Summit this June as a venue to launch a significant U.S. initiative on basic education and galvanize the world community to achieve the goal of education for all by 2015. Basic education is important to our strategic and developmental interests around the world. Our National Security Strategy recognizes the link between poor education and reduced security. Unfortunately, the Administration’s budget request would cut basic education support by \$26 million under Development Assistance.

—Can you explain the proposed funding cut for basic education in light of our strategic objectives?

Answer. Education is a priority issue for this administration; it is an important long-term investment in sustaining democracies, improving health, increasing per capita income and conserving the environment. Economic growth in developing countries requires creating a skilled workforce. President Bush has helped to give education a strong profile in the G8 in recent years, and work is being carried forward actively both multilaterally and bilaterally. We are working internationally to support countries’ efforts to improve their education programs and to produce measurable results on enrollment and educational achievement.

Since the submission of the USAID fiscal year 2005 Congressional Budget Justification, projections on basic education levels have changed somewhat for both fiscal year 2004 and fiscal year 2005. While there is a \$22 million reduction in Basic Education funded by the Development Assistance (DA) account from fiscal year 2004 to fiscal year 2005 (from \$234 million to \$212 million), the currently projected total for basic education from all accounts for each of fiscal year 2004 and fiscal year 2005 is \$334 million. The Administration intends to continue to maintain its strong interests in this area. In fact, the U.S. support for basic education from all accounts has more than doubled from fiscal year 2001 to fiscal year 2004, in recognition of its importance to giving people the tools to take part in free and prosperous societies.

COMBATting HIV/AIDS

Question. There is strong evidence that keeping children in school—especially girls who are much more susceptible to the AIDS virus—reduces the chance that they will become infected. A World Bank study reports that in Zimbabwe, girls who received primary and some secondary education had lower HIV infection rates—a trend that extended into early adulthood. In Swaziland, 70 percent of secondary school age adolescents attending school are not sexually active, while 70 percent of out-of-school youth in the same age group are sexually active. Despite this, the focus has been on using schools as a venue for teaching about AIDS, rather than recognizing education as part of the fight against AIDS. I am pleased to see the Administration's recognition of the importance of education for AIDS orphans and vulnerable children, but given the value of education as the only vaccine against AIDS that we currently have:

—Shouldn't the United States have a coordinated strategy on basic education and HIV/AIDS prevention?

Answer. Basic education is a priority for the U.S. Agency for International Development. It is the linchpin for success in many of our development activities, including family planning, child health and HIV/AIDS.

In order to be successful in the fight against HIV/AIDS, it is essential that we wrap all of our development programs around HIV/AIDS programs. One of the first things I did when I became administrator of USAID was to issue a cable urging all of our missions to do this. While USAID has a large HIV/AIDS prevention program, we also have programs in education, agriculture and other sectors. Our missions have been working to integrate AIDS prevention messages into all of the other sectors.

Question. Funds from many sources are now available to implement both treatment and prevention programs to combat AIDS, TB, and Malaria. The influx of funds is still not commensurate with the extent of the problem, but the increase in partners is welcome and needed. I would like a clarification of how USAID is making sure its work is complementary to that of the President's Emergency Plan for AIDS, Relief (PEPFAR), the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), the WHO 3x5 Initiative, the World Bank, and other programs during the scale-up that is occurring on the ground.

—How are staff coordinating on the ground with other donors?

—What are you doing to improve the effectiveness of USAID and other donor programs?

—I envision a sea of paperwork for a country with 30–40 different donors. What procedures have you put in place to limit transaction costs and improve efficiencies relative to other donors?

Answer. On April 25, the U.S. Government convened a meeting, along with UNAIDS and the United Kingdom, to address this very topic. The meeting ended with a pledge that countries will have one agreed HIV/AIDS Action Framework that provides the basis for coordinating the work of all partners; one national AIDS authority, with a broad-based multisectoral mandate; and one agreed country-level monitoring and evaluation system.

These principles will allow donors to achieve the most effective and efficient use of resources, and to ensure rapid action and results-based management.

This is a goal that USAID has been working toward for long time. USAID staff have been participating for several years in a working group with many other international donors to set up standardized monitoring and evaluation indicators used by all donors.

Question. In a press release of April 13, 2004, USAID announced the first round of grants made under the President's Emergency Plan for AIDS Relief (PEPFAR) with fiscal year 2004 funding. Five grants were announced for projects in just some of the 14 countries eligible for PEPFAR funding, totaling less than \$35 million. Only three of these grants—totaling just \$18 million were directed to Orphans and Vulnerable Children (OVC) programs. Not one of these grants exceeded \$7 million, even though all were for efforts in multiple countries. Given the magnitude of the orphan problem, and the grave consequences it has for the children, their families and communities, and for their countries, these efforts seems far too tentative and too limited, far smaller than the effort anticipated by Congress in allocating 10 percent of fiscal year 2004 HIV/AIDS funds for OVC programs.

While I compliment USAID for recognizing the importance of OVC programs in assuring the long-term economic and social development of poor countries, I am concerned that our financial support to date is too limited to effectively address the needs of the rapidly growing numbers of orphans and other children affected by AIDS.

—Can you tell me how much of the fiscal year 2004 appropriation for HIV/AIDS has in fact been committed to date for this purpose and how much will be committed in fiscal year 2005?

—Can you assure me that fully 10 percent of the 2004 appropriations will be dedicated to this critical problem and that funding for OVC programs will expand significantly from what appears to be a slow and tentative beginning?

Answer. In fiscal year 2004, the U.S. Government has allocated \$50 million, or 6 percent of the HIV/AIDS budget, to programs for orphans and vulnerable children. Levels for fiscal year 2005 are not available at this point.

USAID has recognized the importance of funding programs to support children affected by AIDS for the past few years. Our programs in this area are beginning to grow significantly under the President's Emergency Plan for AIDS Relief. As you mentioned, grants for orphans and vulnerable children were some of the first announced under the Emergency Plan. These grants will provide resources to assist in the care of about 60,000 additional orphans in the Emergency Plan's 14 focus countries in Africa and the Caribbean. Approaches to care services will include providing critical social services, scaling up basic community-care packages of preventive treatment and safe water, as well as HIV/AIDS prevention education.

Prior to the implementation of the Emergency Plan, as of six months ago, USAID was funding 99 programs in 25 countries to specifically respond to the unique issues facing children affected by AIDS. In addition, USAID funds a consortium of groups who are working together as the "Hope for Africa's Children Initiative."

Question. The HIV/AIDS pandemic has had an enormous impact on the world's youth. To date, 13–14 million children have been orphaned by AIDS, and that number is expected to reach more than 25 million by 2010. This virtual tsunami of orphans in sub-Saharan Africa will spread to new countries in Africa and to Asia as death rates from AIDS rise in those regions.

—Within PEPFAR and other programs, what are you currently doing to scale up efforts regarding AIDS treatment, health care and getting these children into school?

Answer. Under the President's Emergency Plan for AIDS Relief, caring for children affected by AIDS is one of the top priorities. While USAID has been working in this area for several years, we have recently been able to significantly scale-up our programs. We recently entered into agreements with the World Food Program and a consortium of organizations called "Hope for Africa's Children Initiative" to address issue specific to children affected by AIDS.

In addition, the first round of grants USAID gave under the Emergency Plan were aimed at orphans and youth. Grants were given to five organizations for their work in 14 Emergency Plan focus countries to support children affected by AIDS and for abstinence and behavior change prevention programs targeted at youth.

These grants will provide resources to assist in the care of about 60,000 additional orphans in the Plan's 14 focus countries in Africa and the Caribbean. In addition, prevention through abstinence messages will reach about 500,000 additional young people in the Plan's 14 focus countries through programs like World Relief and the American Red Cross's Together We Can. USAID country missions also will receive additional dollars for orphans and youth upon the award of the remainder of the fiscal year 2004 President's Emergency Plan dollars.

Question. The President's initiative on global AIDS includes a commitment to put two million people on life-saving antiretroviral treatment.

—How many AIDS patients within all of our AIDS efforts are currently under treatment?

—How many mothers have actually received treatment to reduce mother-to-child transmission?

—What is USAID doing to scale up the numbers treated through your agency in the coming year?

Answer. Treating two million people living with HIV/AIDS is the cornerstone of the President's Emergency Plan for AIDS Relief. With the first round of funds, an additional 50,000 people living with HIV/AIDS in the 14 focus countries will begin to receive anti-retroviral treatment, which will nearly double the number of people who are currently receiving treatment in all of sub-Saharan Africa. Today, activities have been approved for anti-retroviral (ARV) treatment in Kenya, Nigeria, and Zambia, and patients are receiving treatment in South Africa and Uganda because of the Emergency Plan.

The first complete set of counts of patients served will be sent by U.S. Government country missions to headquarters early next Fall. As of March 31, 659,500 women have received services at ante-natal clinics with 76,000 women receiving a complete course of ARV prophylaxis to prevent mother-to-child transmission.

USAID is working in a variety of ways to scale-up the numbers of people receiving ARV treatment. For example, we help developing countries establish effective and efficient supply chains, as a continuous, reliable flow of commodities is essential to ARV treatment. We also provide funding to ensure that health systems within developing countries are available to implement treatment programs.

TUBERCULOSIS

Question. Tuberculosis is the greatest curable infectious killer on the planet and the biggest killer of people with HIV. Treating TB in people with HIV can extend their lives from weeks to years. I am very concerned that the President's 2005 budget actually cuts TB and malaria funding by some \$46 million. And the President's AIDS initiative fails to focus on expanding TB treatment as the most important thing we can do right now to keep people with AIDS alive and the best way to identify those with AIDS who are candidates for anti-retrovirals.

I was just in India where TB is currently a far greater problem than HIV—though AIDS is rapidly catching up—and a new WHO report has shown that parts of the former Soviet Union and Eastern Europe have rates of dangerous drug resistant TB 10 times the global average. TB rates have skyrocketed in Africa in conjunction with HIV, yet only one in three people with HIV in Africa who are sick with TB even have access to basic life-saving TB treatment. The cuts in TB funding are short-sighted; TB efforts should be expanded. We are missing the boat on this issue—at our own risk.

—Will you push to expand overall USAID funding to fight TB to our fair share of the global effort? (The United States is currently investing about \$175M in TB from all sources including our contribution to the Global Fund.)

—Will you ensure that the USAID makes it a priority to expand access to TB treatment for all HIV patients with TB and link TB programs to voluntary counseling and testing for HIV?

Answer. Outside of HIV/AIDS, tuberculosis (TB) and malaria are our top priorities for infectious diseases. USAID is the largest bilateral donor providing support to the global effort to fight TB. Our total fiscal year 2004 budget (all accounts) for TB programs worldwide is \$82 million. This level has increased dramatically over the last several years, from just over \$20 million in 2000. In addition, as you mention, the Global Fund to Fight AIDS, TB and Malaria supports grants for TB, and the USG is the largest contributor.

In the fiscal year 2005 budget, we did have to cut our request for infectious disease funding overall to stay within our budget parameters. We will do everything we can to protect our core TB programs. Overall in TB, our priority is to expand and strengthen implementation of the WHO recommended DOTS (Directly Observed Treatments Short-course) strategy—which is the best means for getting effective TB treatment to patients. In addition, USAID is supporting critical research to identify better diagnostic methods, better and shorter treatment regimens and new approaches to improve program performance.

With regard to TB and HIV/AIDS, we would strongly agree with the points you raised on the critical importance of getting access to TB treatment to those infected by HIV/AIDS. USAID is a leader in expanding, strengthening and testing approaches to improve the care of patients co-infected with TB and HIV/AIDS. One of the criteria for selection of our priority countries for TB is the prevalence of HIV. As such, we are supporting TB programs in many countries that have a heavy burden of both diseases such as South Africa, Kenya, Uganda, Ethiopia, Nigeria, Cambodia, and Haiti, as well as in countries such as Russia and India where TB is a serious problem and where HIV/AIDS is on the rise. In these and other countries, we need to expand access to DOTS in the general population, since many co-infected patients seek TB care without even knowing their HIV status.

In addition, USAID supports country-level activities that specifically address TB-HIV/AIDS co-infection in Ethiopia, South Africa, Kenya, Malawi, Mozambique, Tanzania, Uganda and Zambia. These activities use HIV counseling and testing as an entry point to a package of prevention, care and support for those patients with suspected TB and/or HIV/AIDS.

USAID also supports operations research to test approaches to improve identification and care of patients co-infected with TB and HIV/AIDS.

Finally, TB technical advisors participated in the review of country plans to the President's Emergency Plan for AIDS Relief. While finalization of these plans is pending, TB-HIV/AIDS co-infection was particularly emphasized in the plans for Ethiopia, Mozambique, Nigeria, Tanzania, Rwanda, and South Africa.

FEMALE GENITAL CUTTING

Question. It is my understanding that USAID is developing a strategy for eliminating female genital cutting around the world. I would like to call to your attention the work of the group Tostan in Senegal, which has impressed observers by inspiring the mass abandonment of female genital cutting in more than 1,200 villages since 1997. This kind of extraordinary progress should be encouraged.

—What is the timetable for the completion of USAID's strategy?

—What is the likely role of multi-dimensional programs such as Tostan in that strategy?

—What is your sense of whether it might be possible to begin supporting effective programs such as Tostan even before the strategy is completed?

Answer. USAID will complete its FGC Abandonment Strategy and implementation plan by early summer 2004.

Programs such as Tostan are currently integral to USAID's work.

USAID incorporated eradication of FGC into its development agenda and adopted a policy on FGC in September 2000. To integrate this policy into programs and strategies, USAID:

—Supports efforts by indigenous NGOs, women's groups, community leaders, and faith-based groups to develop eradication activities that are culturally appropriate and that reach men and boys as well as women and girls.

—Works in partnership with indigenous groups at the community level, as well as with global and national policymakers, to reduce demand by promoting broader education and disseminating information on the harmful effects of FGC.

—Collaborates with other donors and activist groups to develop a framework for research and advocacy and to coordinate efforts, share lessons learned, and stimulate public understanding of FGC as a health-damaging practice and a violation of human rights.

USAID currently funds Tostan projects in Senegal, Guinea, Burkina Faso, and Mali.

In addition to our work with Tostan, we are involved with other, comparable organizations. For example, in Nigeria, USAID's local partners include the Women's Lawyers Association and Women's Journalists Association. These groups work with us in programs involving community media and traditional media advocacy to change social norms regarding FGC.

In Mali, we worked with an important women's Islamic group which reversed a previous stance when they affirmed that female circumcision is optional; that the practice is not mandatory under Islam.

QUESTIONS SUBMITTED TO AMBASSADOR COFER BLACK

QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

Question. Which terrorist groups are operating in Iraq, and do they receive support from Iraq's neighbors—if so, what kind of support?

Answer. Terrorist groups operating or present in Iraq as of May 2004 which have been designated by the United States as Foreign Terrorist Organizations (FTO) or under the Terrorist Exclusion List (TEL) include Ansar al-Islam/Ansar al-Sunna, and the Mujahedin e-Khalq (MEK). However, many individuals or entities with links to al-Qaeda, former regime elements, or other foreign terrorists or organizations, such as the network led by Abu Mus'ab al-Zarqawi or the Islamic Army in Iraq, have claimed responsibility for terrorist actions in Iraq, such as the August 2003 bombing of the UNHCR Headquarters. In addition to our extensive security and policing efforts within Iraq, we are also working with Iraq's neighbors, where possible, to track and cut off the cross-border flow of persons, weapons and funding to the terrorists in Iraq.

Question. Has the Liberation of Iraq had an impact on the advancement of freedom in the region—such as increased calls for reform in Syria or Libya's recent opening to the West?

Answer. U.S. resolve to see international law and more than a dozen U.N. Security Council resolutions upheld in Iraq clearly had a profound impact on most of the region, including on the historic decision by Libya's Muammar Qadhafi to give up his weapons of mass destruction and non-MTCR compliant missiles.

Syria, however, remains a closed, autocratic state. We remain concerned about the repression of Syrian citizens, including religious and ethnic minorities. Given the nature of the Syrian regime, it is very difficult to gauge whether calls for reform from the Syrian public have increased over the past eighteen months. Syria also

maintains a significant military and intelligence presence in Lebanon and continues to interfere in Lebanon's political life.

In Libya's case, other factors also played a role, including a tough bilateral sanctions regime, years of sustained diplomacy, and United States and UK intelligence efforts to uncover the details of Libya's WMD efforts. It is also important to note that the courage and tenacity displayed by the families of the Pan Am 103 victims helped to persuade Libya to finally address the U.N. Security Council demands related to Pan Am 103, including transfer of the two suspects and renunciation of terrorism.

Question. What is the nexus between the growing illicit narcotics trade and terrorism in Afghanistan?

Answer. We do not know to what extent al-Qaida profits from the drug trade in Afghanistan. U.S. Government agencies have anecdotal reports of drug trafficking by elements aligned with al-Qaida, but there is no evidence that such activities are centrally directed. Al-Qaida continues to rely on private donations and funding sources other than narco-trafficking for most of its income, and there is no corroborated information in U.S. Government holdings to suggest that drug trafficking provides a significant percentage of al-Qaida's income. We remain deeply concerned about the possibility that substantial drug profits might flow to al-Qaida, however, and continue to be vigilant for signs that this is occurring.

The involvement of anti-government Afghan extremists in the drug trade is clearer. U.S. troops in 2002 raided a heroin lab in Nangarhar Province linked to the Hizb-I Islami Gulbuddin and officials from the United Nations and the Afghan Government report that the Taliban earns money from the heroin trade. Based on the information available, however, we cannot quantify how much these groups earn from the drug trade, nor can we determine what percentage of their overall funding comes from drugs.

In addition, extremists and terrorists in Afghanistan may sometimes turn to the same network of professional smugglers used by drug traffickers for help moving personnel, material, and money.

Question. Is this illicit trade undermining reconstruction efforts, and what impact might the drug trade have in the country's future development?

Answer. Disrupting the growth of the narcotics trade in Afghanistan continues to be a focus of international efforts. The United States has developed our counter-narcotics program in close consultation with the United Kingdom and is coordinating with the UK in seeking counternarcotics assistance from the G-8, EU, other major donors, and some of Afghanistan's neighbors. A number of donors, including NATO Allies, have already contributed to broader law enforcement, border security, criminal justice sector, alternative development, and demand reduction programs.

If narcotics cultivation and trafficking were to continue unabated in Afghanistan, it would threaten all of the gains that have been made there over the past three years. Among other negative effects, a narcotics economy corrupts government officials, damages Afghanistan's relationship with the international community, makes criminals out of much of the Afghan public, makes addicts out of the youth, and stunts the country's legitimate economic growth. If the problem is not addressed, and the Afghanistan narcotics trade continues to rise at its current explosive rate, Afghanistan risks becoming a failed state.

Question. Are Afghan officials involved in this trade?

Answer. Given the pervasiveness of the drug trade in Afghanistan—some estimates put it as high as 60 percent of the country's GDP—there is little doubt that Afghan officials are involved. There is anecdotal evidence of drug-related corruption within the Afghan police, the military, and the civilian government at national and provincial levels. President Karzai is keenly aware of the danger of government corruption and appears to be appointing high-level officials who he views as honest and trustworthy.

Question. What role does the U.S. military play in counterdrug efforts in Afghanistan?

Answer. As of May 2004, the U.S. military in Afghanistan has resisted active engagement in counternarcotics, out of concern that such assistance might turn the Afghan populace against U.S. forces. The military has agreed, however, to destroy drug-related facilities if found in the course of patrolling operations.

Question. What threat does Afghan Islamic Fundamentalism pose to reconstruction efforts in Afghanistan?

Answer. Islamic fundamentalism itself does not necessarily threaten reconstruction efforts in Afghanistan. Afghanistan is a deeply religious Islamic country, and that fact alone does not hamper our work there. In fact, many very religious Afghans are supporting our efforts. What does threaten our efforts are continued insurgent attacks—whether motivated by religion, politics, or other factors. Attacks on

reconstruction workers and humanitarian organizations threaten to significantly slow our progress by increasing security concerns and costs.

Even in the face of danger, our reconstruction efforts continue. As Coalition forces continue their fight against insurgents, we expect that the pace of insurgent attacks will slow.

Question. As terrorist attacks have already struck the Philippines, Indonesia and Thailand, do you agree that the next major front in this war is Southeast Asia?

Answer. As we have seen all too recently and tragically around the world, the threat from terrorism persists despite our best efforts and the progress we have made. Southeast Asia in particular remains an attractive theater of operations for regional terrorist groups such as Jemaah Islamiyah (JI). The governments in Southeast Asia continue to be reliable partners in the war on terrorism, but they face tremendous challenges to dealing with the terrorist threat. Most worrisome is the disparity between the level of threat—future attacks are a certainty—and the capacity of host governments to deter attacks, disrupt terrorist activity, and respond to incidents. The USG remains committed to cooperating closely with partner countries in Southeast Asia to help them develop and improve the law enforcement, finance and other tools necessary to combat terrorism.

Question. How cooperative are governments in that region on terrorism—particularly Indonesia, Thailand and the Philippines? Do they understand the imminent threat regional terrorists pose?

Answer. The United States enjoys excellent CT cooperation with Indonesia, Thailand, and the Philippines. These governments take counterterrorism very seriously. The October 2002 Bali bombings demonstrated the threat that terrorism poses not only to their own citizens and government, but also to their economies. Since Bali, the Indonesian government has arrested over 130 Jemaah Islamiyah (JI) suspects and convicted over 100 JI and affiliated terrorists. In 2003, Thai authorities captured Hambali, JI's operation chief and Al-Qaeda point man in Southeast Asia, a significant blow to the organization and an important victory in the war against terrorism. In the Philippines, we have seen success as the Philippine National Police have thwarted plots in Manila and arrested suspected members of JI and the Abu Sayyaf Group.

Question. Do you agree with Philippine President Arroyo's recent assertion that the Al-Qaeda-linked Abu Sayyaf terrorist group is a "spent force"?

Answer. The Philippine government, working in part with the USG, has had some success against the leadership of the Abu Sayyaf Group (ASG). Several of the ASG terrorists involved in the kidnapping of Americans Martin and Gracia Burnham and Guillermo Sobero, for example, have been captured or killed. We are assisting Manila in every way we can to keep the pressure on ASG. The ASG remains capable of launching terrorist attacks, however, as demonstrated by their responsibility for the February 2004 Superferry 14 bombing outside Manila which, killed over 100 people.

Question. What should U.S. policy on terrorism be in those countries where repressive governments terrorize their own citizens, such as Cambodia?

Answer. Comprehensive, effective U.S. counterterrorism policy is inseparable from overall foreign policy goals that advance good governance, human rights, promotion of the rule of law and promotion of economic and commercial development. We advance USG counterterrorism efforts by emphasizing these goals to our international partners on a bilateral basis and in various multilateral fora.

In Cambodia, we are working with the government and civil society to implement good governance, promote human rights and greater respect for the rule of law and increase accountability. We have provided some limited counter-terrorism training to mid-level Cambodian officials through programs offered by the International Law Enforcement Academy (ILEA) in Bangkok.

Question. What is your reaction to the recent news that Cambodia is re-opening Saudi charities shut down last year?

Answer. On December 29, 2004, a Cambodian court convicted two Thai nationals and one Cambodian as accessories in "attempted premeditated murder with the goal of terrorism" for their role in supporting Jemaah Islamiyah (JI) operations chief Hambali while he was resident in Cambodia. They were sentenced to life imprisonment. A fourth individual, an Egyptian national, was acquitted. Hambali and two other JI operatives were convicted in absentia and given life sentences.

The trial arose from the May 28, 2003, arrests of foreign members of the Umm al-Qura group, a Saudi-based charity that had been establishing schools for Cambodia's Cham minority community, an indigenous Muslim population. These convictions are a signal to terrorists that the Cambodian government is prepared to take effective action against those planning terrorist activities inside Cambodia.

The Saudi-based Umm al-Qura charity has not resumed activities in Cambodia. The Mufti of Cambodia, Sos Kamry, has opened the Cambodian Islamic Center on the site of the former Umm al-Qura school. However, it has no relationship with the Saudi charity. Embassy personnel have visited the Cambodian Islamic Center on several occasions and have been warmly received by staff and students there.

Question. Are there any links between Islamic terrorist organizations or individuals and Cambodian government officials?

Answer. There is no evidence of links between Islamic terrorist organizations or individuals and the Cambodian government. The Cambodian government has taken decisive action against suspected Islamic extremist organizations and individuals in the closing the Umm Al-Qura School in May 2003 and deportation of many of its foreign staff. In December 2004, a Cambodian court convicted five individuals of plotting terrorist attacks, including the conviction in absentia of Jemaah Islamiyah operations chief Hambali.

In March 2004 the Cambodian government demonstrated its commitment to combating terrorism by destroying with U.S. assistance its stocks of man-portable air defense systems (MANPADS).

Question. How cooperative has China been in the war on terrorism, and what threat do indigenous Islamic fundamentalists in China pose to the Middle Kingdom and the region?

Answer. United States-China counterterrorism cooperation is positive. We have been sharing information and consulting with each other to prevent terrorist incidents.

The PRC is concerned about links between Xinjiang Uighur Autonomous Region separatist groups (composed mainly of ethnic Uighurs, but also other Muslims) and Islamic fundamentalists in Central Asia. There have been terrorist incidents in China, and there is evidence that some ethnic Uighurs have been trained in Afghanistan by Al-Qaeda. In September 2003, after careful review of all available information, the United States designated the East Turkistan Islamic Movement a terrorist organization under Executive order 13224. We have made clear to the Chinese, however, that counterterrorism cannot be used as an excuse to suppress peaceful dissent or the legitimate expression of political and religious views.

Question. How do you explain Thai Prime Minister Thaksin's initial slow and ineffective response to terrorism in southern Thailand?

Answer. The violence in southern Thailand appears to be an insurgency driven by historical separatist sentiment. We have not yet seen evidence of outside terrorist direction, although insurgents sympathize with global Muslim causes. In response to the ongoing violence in southern Thailand, the Thai government has increased the number of security personnel operating in southern Thailand and has announced development and educational programs to address long-standing tensions in the region.

The Thai government remains a stalwart partner in the war on terrorism. In 2003, Thai authorities captured Hambali, Jemaah Islamiyah's operation chief and Al-Qaeda point man in Southeast Asia, a significant blow to JI. We are working with the Thai government to stop terrorists at border entry points by providing training and computer equipment to establish a name-check database called the Terrorist Interdiction Program. Through centers like the U.S.-Thailand International Law Enforcement Academy in Bangkok, we are providing counterterrorism training to law enforcement officers throughout the region.

Question. How extensive are the activities of Saudi charities in the region, and do we know with any accuracy how many Islamic students from the region have been sent to Saudi Arabia or Pakistan for educational purposes?

Answer. We have reports that Saudi charities are active in the region, particularly in Indonesia, as well as in southern Thailand and Cambodia, and we continue to monitor this situation. Many of these charities concentrate on community development projects such as building schools, but some contribute to anti-Western sentiments and espouse Islamic extremism. We are aware that Islamic students from the region do attend schools in Saudi Arabia and possibly Pakistan, but governments in the region have not been able to provide us with accurate counts of the number of students.

Question. What connection exists between organized crime and regional terrorist groups in Southeast Asia?

Answer. There is evidence that extremists and terrorists have taken advantage of the same network of professional smugglers used by drug traffickers for help moving personnel, material, and money. U.S. Government agencies have anecdotal reports of drug trafficking by elements aligned with al-Qaeda, but the evidence suggests that this activity reflects individuals' initiative and is not centrally directed by the organization. Al-Qaeda and regional terrorist groups in Southeast Asia con-

tinue to rely on private donations and funding sources, rather than trafficking for most of their income. We remain deeply concerned about the possibility that substantial drug profits might flow to al-Qaida and regional terrorist groups, however, and continue to be vigilant for signs that this is occurring. Kidnapping for ransom is another funding source, particularly for the Abu Sayyaf Group in the southern Philippines.

Question. To what extent does the United States have a complete and accurate picture of terrorist groups operating in Indonesia, particularly Jemaah Islamiyah (JI)?

Answer. Our picture of terrorist groups in Indonesia, particularly Jemaah Islamiyah (JI), is continually evolving. We have developed over time a clearer understanding of the senior leadership of JI, connections with other groups, JI's regional structure, and their training. However, we are aggressively seeking additional information about the group, in particular actionable intelligence that will enable us to disrupt future operations and track down JI leaders.

Question. How would you characterize Indonesia's cooperation with the United States in the war on terrorism?

Answer. Indonesia's counterterrorism cooperation with the United States is strong and getting stronger. The Indonesian government has taken decisive action against terrorism since the October 2002 Bali bombing; to date, they have arrested over 130 Jemaah Islamiyah (JI) suspects and convicted over 100 JI and affiliated terrorists. We continue to share relevant threat information and work together to prevent future attacks. The United States, along with other donor states such as Australia and members of the G-8, are working together to help Indonesia build its law enforcement and other capabilities to combat terrorism.

Question. What are JI's funding sources?

Answer. We know that much of the funding for terrorist groups in Southeast Asia is funneled through cash couriers, making it extremely difficult to track. In order to get into specific sources of funding, however, I would have to answer the question in a classified setting.

Question. What role has Saudi Arabia (particularly Saudi charities) played in promoting Islamic extremism in Indonesia?

Answer. Saudi charities are involved in many aspects of community building in Indonesia, heavily funding projects such as schools (pesantrens) and mosques. While providing schools is a great service for the poorer Indonesian communities, some of these schools promote Islamic extremism. We continue to speak with the Indonesian government about the importance of promoting moderate views on Islam, including in the school curriculum.

Question. Please comment on the recent decision by Indonesia's Supreme Court to reduce the sentence of Muslim cleric Abu Bakar Ba'asyir.

Answer. In September 2003, a Jakarta District Court convicted Jemaah Islamiyah (JI) spiritual leader Abu Bakar Ba'asyir of participation in treason and of various immigration violations. An appellate court overturned the treason conviction on appeal. Prosecutors and defense lawyers subsequently appealed to the Supreme Court, which reduced Ba'asyir's sentence to 18 months. Just prior to his April release, however, police re-arrested Ba'asyir on terrorism charges for his leadership of JI and his role in the August 2003 Marriott bombing, as well as criminal charges for his role in the October 2002 Bali bombings. Ba'asyir's trial opened on October 28, 2004, and is now continuing into its third month.

Question. What impact will Bakar's pending release have on terrorist activities in Indonesia and throughout the region—especially in light of Bakar's public comment that "we have to oppose America physically in Afghanistan, Iraq and elsewhere"?

Answer. We were tremendously encouraged that the Indonesian government re-arrested Ba'asyir upon the expiration of his shortened sentence, and that Indonesian government prosecutors are now making a strong case against Ba'asyir in court. There is extensive evidence of Ba'asyir's leadership role and personal involvement in terrorist activities.

Question. Is there any evidence that Indonesia's military is collaborating with indigenous terrorist groups and/or individuals?

Answer. No, we do not have any evidence or indication that Indonesia's military is collaborating with indigenous terrorist groups or individuals.

Question. To what extent is North Korea involved in the illicit narcotics trade, and is there any evidence that North Korean Drug Trafficking is used to support terrorism?

Answer. Law enforcement cases and intelligence reporting over the years have not only clearly established that North Korean diplomats, military officers, and other party/government officials have been involved in the smuggling of narcotics, but also that state-owned assets, particularly ships, have been used to facilitate and support

international drug trafficking ventures. Although some of the information gathered is incomplete or unverified, the quantity of information and quality of many reports give credence to allegations of state sponsorship of drug production and trafficking that can not be ignored. It appears doubtful that large quantities of illicit narcotics could be produced in and/or trafficked through North Korea without high-level party and/or government involvement, if not state support.

The cumulative impact of these incidents over years, in the context of other publicly acknowledged behavior by the North Korean such as the Japanese kidnappings points to the likelihood, not the certainty, of state-directed trafficking by the leadership of North Korea.

There is also strong reason to believe that there is party and/or government involvement in the manufacture of methamphetamine and heroin in North Korea, but we lack reliable information on the scale of such manufacturing.

We believe the motivation for DPRK trafficking is primarily financial. We are unaware of any specific transfer of the proceeds of narcotics trafficking to any terrorist group.

Question. North Korean criminals have surfaced periodically throughout Southeast Asia, including in Cambodia. What are the designs of these North Korean criminals and are they collaborating with regional terrorists?

Answer. We have seen many reports of North Koreans involved in criminal activity. These reports point to involvement with narcotics trafficking, narcotics cultivation/production, using diplomatic status to smuggle controlled species, the counterfeiting and distribution of foreign currency, including U.S. currency, trade in fraudulent items, violation of intellectual property rights, and smuggling of tobacco products to benefit from differential pricing and to avoid taxation.

We have seen clear evidence that North Koreans are involved with various organized crime groups on Taiwan, in Japan and elsewhere, but we are unaware of any contact between North Korean criminal elements and terrorists.

Question. What programs can be supported among North Korean refugees and exiles to create an organized opposition to the thugs in Pyongyang?

Answer. With the support of the Administration, Congress last year passed the North Korea Human Rights Act, and we are implementing the measures of the Act, consulting closely with Congress and with our allies, to promote improved human rights in North Korea. The specific objectives of the Act are to promote: respect for and protection of fundamental human rights in North Korea; a more durable humanitarian solution to the plight of North Korean refugees; increased monitoring, access and transparency in the provision of humanitarian assistance inside North Korea; the free flow of information into and out of North Korea; and progress towards the peaceful reunification of the Korean Peninsula under a democratic system of government.

As explained in the Report of the Committee on International Relations, The North Korean Human Rights Act "is motivated by a genuine desire for improvements in human rights, refugee protection, and humanitarian transparency. It is not a pretext for a hidden strategy to provoke regime collapse or to seek collateral advantage in ongoing strategic negotiations. While the legislation highlights numerous egregious abuses, the [Congress] remains willing to recognize progress in the future, and hopes for such an opportunity."

The Act authorizes \$2 million to be spent annually through fiscal year 2008 to provide grants to private, nonprofit organizations to support programs, including educational and cultural exchange programs, that promote human rights, democracy, the rule of law, and development of a market economy in North Korea. For fiscal year 2005, Congress has indicated that these funds should be granted to Freedom House to hold a conference on improving human rights in North Korea. The Act also expresses the sense of Congress that the United States should increase radio broadcasts into North Korea by Radio Free Asia and Voice of America to 12 hours per day, and authorizes \$2 million annually through fiscal year 2008 to increase the availability of non-government-controlled sources of information to North Koreans.

In addition, the Act mandates the appointment of a Special Envoy for Human Rights in North Korea within the State Department. Among other responsibilities, the Special Envoy is charged with supporting international efforts to promote human rights and political freedoms in North Korea, engaging in discussions with North Korean officials on human rights, consulting with NGOs, reviewing strategies for improving protection of human rights in North Korea, and making recommendations regarding USG funding of programs to promote human rights, democracy, rule of law, and development of a market economy in North Korea. As you know, the first annual report of the soon-to-be-appointed Special Envoy on actions taken to

promote efforts to improve respect for the fundamental human rights of people in North Korea is due on April 15.

We will continue to work closely with the Subcommittee to promote improved human rights in North Korea.

WEST AFRICA

Question. Is Hezbollah profiting from the diamond trade—or other illicit activities in that region?

Answer. We do not think, based on the evidence, that Hezbollah as an organization directly participates in the diamond trade or other illicit ventures in west Africa. That said, Hezbollah profits indirectly from the diamond trade in west Africa. Hezbollah engages in widespread fundraising efforts worldwide, with particular emphasis on regions with sizable overseas Lebanese communities such as west Africa. Hezbollah raises money in west Africa from members of the Lebanese business community, some of whom are involved in both the licit and illicit diamond trade.

Question. Is there a connection between Hezbollah and Al-Qa'ida in west Africa?

Answer. We have seen no credible evidence indicating a connection between Hezbollah and Al-Qa'ida.

Question. Do drug addicted, demobilized rebels in Sierra Leone and Liberia pose an immediate threat to the resumption of hostilities in the region—and as easy recruits for terrorist organizations?

Answer. Yes, the rebels pose a threat to the region and could resume hostilities, however they are not likely recruits for International Terrorist Organizations. We strongly believe in the need for swift and effective reintegration and rehabilitation (RR) programs for disarmed and demobilized combatants worldwide, including in Liberia and Sierra Leone.

The U.S. Agency for International Development is spending \$60 million on RR programs, based on our Depression-era Civilian Conservation Corps, in Liberia for 20,000 ex-combatants and 15,000 others, including women and children associated with those fighters. The United Nations (UN) and European Union (EU) are creating programs in Liberia for another 23,000 ex-combatants, leaving a shortfall of 60,000 people formally classified as ex-combatants.

U.N. Secretary-General Annan recently said that another \$60 million in RR programs are needed to employ, retrain, educate, and counsel these remaining “volatile and restive” ex-combatants in Liberia. As part of our supplemental budget request, we are proposing additional funding for reintegration and rehabilitation programs for Liberian ex-combatants. A senior interagency delegation will visit Brussels and Luxembourg January 10–13 to urge the EU to spend more on similar RR programs.

Diamond fields and forests in the Mano River region have attracted significant illicit commercial activity, and these governments have minimal capability to control their borders or enforce customs regulations. Strengthening their capacity to combat arms smuggling, money laundering, and other activities supporting terrorism is a top priority.

Liberia is resource rich and potentially a good place for direct foreign investment that would help create jobs for the unemployed youth. We are working with the Government and international financial institutions to address pervasive corruption that is currently a major impediment to spurring economic activity.

Question. Is there any evidence of al-Qaida operations in Colombia?

Answer. There is no corroborated reporting that al-Qaida operational cells exist in Colombia. Colombia, like many other countries in the Western Hemisphere, could be vulnerable to exploitation by terrorists for safe haven, fundraising, recruiting, or spreading propaganda. The United States Government works on a bilateral and multilateral basis to enhance the counterterrorism capacity of Colombia, as well as other hemispheric partners, to prevent the movement of terrorists in the hemisphere, deny terrorists access to fraudulent travel and identity documents, strengthen border security, and combat terrorism financing.

Question. Is Venezuela providing sanctuary to terrorist operating in Colombia?

Answer. It is unclear to what extent or at what level the Venezuelan Government approves or condones the use of its territory as safehaven by Colombia's Revolutionary Armed Forces of Colombia (FARC), National Liberation Army (ELN), and United Self-Defense Forces/Groups of Colombia (AUC)—all three U.S. Government-designated Foreign Terrorist Organizations (FTOs).

Venezuela has been unwilling or unable to assert control over its 1,400-mile border with Colombia. Consequently, the FARC and ELN have used the area for cross-border incursions and have regarded Venezuelan territory near the border as a safe area for rest, recuperation, and probable transshipment of drugs and arms. The AUC has admittedly operated in Venezuela, principally targeting FARC and ELN

groups operating there. The AUC does not appear to hesitate to cross the porous Venezuela-Colombia border to disrupt or exploit the FARC's and ELN's strategic supply lines.

President Chavez' stated ideological affinity with the FARC and ELN limits Venezuelan cooperation with Colombia in combating terrorism. However, the Venezuelan and Colombian Governments have worked together in some cases to enhance border security and bring terrorists to justice.

Question. Do we have a full and accurate picture of the proliferation activities of A.Q. Khan in Pakistan, and how would you characterize the Pakistani government's cooperation in determining the breadth and depth of Khan's activities?

Answer. The Government of Pakistan is continuing its own investigation of the A.Q. Khan network and has already taken steps to shut down the network. It has shared information that it has developed from that investigation and it has agreed to continue to share information with us. The information Pakistan has provided to us has been important to our global efforts to dismantle the network. President Musharraf's efforts to shut down the activities of the network in Pakistan have contributed to our overall effort. However, we remain concerned that the network could be reconstituted. For this reason, we are reassured by President Musharraf's statements that Khan remains under close watch and his movements are restricted. It is also notable that Khan's pardon is conditioned on his continued cooperation. We remain concerned, however, about Pakistan's decision to release all of the individuals detained in connection with the Khan case, with the exception of Dr. Muhammed Farooq, formerly head of procurement at Khan Research Laboratories.

Question. How cooperative has Pakistan been in engaging Al-Qaeda and Taliban remnants in Pakistan—particularly along the border with Afghanistan.

Answer. Under the leadership of President Musharraf, Pakistan cut its ties to the Taliban and became a critical partner in the war on terror. The GOP is aggressively pursuing al-Qaida and their allies through large-scale military operations in the Federally Administered Tribal Areas (FATA). Along with the United States, Pakistani forces have borne the brunt of fighting against al-Qaida, facing intense resistance and suffering many casualties, including the deaths of at least 200 Pakistani servicemen. Pakistan's FATA military operations have significantly degraded al-Qaida's command and control capabilities in the region.

In addition to these counterterrorist operations in the tribal areas, Pakistani law enforcement—maintaining close cooperation with the USG in border security and investigative training—continues an extremely successful anti-terrorist campaign in other areas of the country, particularly in major cities. Pakistani authorities have apprehended over 600 terrorist suspects, turning over to the United States such key al-Qaida figures as Khalid Sheikh Mohammad and Abu Zubaydah. The arrestees have provided valuable information leading to further investigations and arrests.

While the GOP has been very successful in targeting members of al-Qaida and other foreign militants throughout the country, it has faced more difficulty confronting Pakistani militants and the Pashtun-dominated Taliban, which enjoys close ties to some local tribes.

Question. Why have Afghan President Karzai and the U.S. Ambassadors to both Afghanistan and Pakistan been critical of Pakistani efforts to combat terrorism along the border?

Answer. Pakistan had supported the Taliban government in Afghanistan prior to September 2001. Though President Musharraf withdrew his government's support and Pakistan became a critical ally in the war on terrorism, suspicions lingered in Afghanistan over the sincerity of the GOP's support for the new Afghan government. Despite the GOP's successful efforts to target al-Qaida and other "foreigner fighters" within the Federally Administered Tribal Areas (FATA), the GOP has faced more difficulty confronting the Taliban, who enjoy close ethnic ties with the FATA tribes, as a result of which problems remain with cross-border infiltration into Afghanistan.

In recent months, there has been significant progress in Pakistani-Afghan bilateral relations. President Musharraf was the first foreign leader to visit Karzai in Kabul after his October election, signaling GOP support for Karzai and his government. Additionally, the GOP has intensified its counterterrorism operations against al-Qaida remnants in Waziristan, and the activities of the Tripartite Commission are providing a useful forum for deliberations between Afghan, Pakistani, and U.S. military and security representatives at the working level on sensitive border and security issues.

Question. How do you explain the reluctance of Egyptian President Hosni Mubarak to embark on much-needed political and legal reforms in Egypt?

Answer. The Egyptian government always has stressed the need for gradual reform to preserve stability, but there are signs that mind-set is changing somewhat.

- President Mubarak and other senior Egyptian officials always have argued the need for a gradual process of political, economic, and social reform to avoid social upheaval in Egypt, where population densities in the Nile delta and valley are among the highest in the world. They point to the 1977 riots that damaged large swaths of Cairo after President Sadat removed bread subsidies, and to their struggle against domestic Islamic extremists in the 1980's and 1990s, as proof of the need for such gradualism.
- We and other donors have argued that, conversely, an insufficiently rapid pace of reform is likely to increase rather than decrease Egypt's instability in the mid- to longer-term. High-level bilateral discussions and the Broader Middle East and North Africa (BMENA) initiative are key venues for delivering that message.
- Over the past year, we have seen increasing signs that Egypt is "getting it," although the evidence is still much more on the economic than political side.
- The new Prime Minister and cabinet have announced and begun to implement the most ambitious economic reforms in years, including sharp cuts in tariffs, income and sales tax reforms, reductions in subsidies, liberalizing Egypt's exchange rate regime, and reinvigorating the privatization program, including in the financial sector.
- We will continue to urge the government to accelerate that reform process, which we support through our USAID assistance program.
- Egypt's political system remains dominated by President Mubarak and the ruling National Democratic Party, and citizens do not to date have a meaningful ability to change their government. There are, however limited signs of liberalization, such as the recent registration of two new political parties, tolerance of a significantly more open debate on presidential succession, the Government's agreement to our plan to make direct democracy grants to NGOs without its approval, and its support for the Alexandria meeting of intellectuals and declaration on the need for reform in the Arab world.
- We will continue to press the GOE at the highest levels to open up its political system and improve its poor record on human rights.

Question. Has Mubarak's reluctance to create a more open and pluralistic society created conditions favorable to Islamic extremism and terrorist recruitment efforts?

Answer. We believe that an overly cautious approach to economic and political reform in Egypt would be more rather than less conducive to instability in Egypt, while greater political and economic opportunity would provide more moderate outlets for the expression of public will. Our Broader Middle East and North Africa (BMENA) and Middle East partnership Initiative (MEPI) convey the same message region-wide.

The lack of a credible legal alternative to the ruling National Democratic Party (NDP) appears to have caused many people to gravitate towards the still-illegal Muslim Brotherhood, generally considered the most powerful political group in Egypt aside from the NDP.

Terrorists may also seek to exploit a lack of economic opportunity to advance their violent ideology.

However, both the Muslim Brotherhood and the jailed leadership of the more radical Egyptian Islamic Jihad have publicly renounced violence as a means to political change in Egypt.

We continue to believe, and to advocate with Egypt's political leadership, that it must open up its political process to provide a middle ground between the NDP and religious extremism.

Question. What concrete steps has Saudi Arabia taken to crackdown on "charities" which seem bent on sowing seeds of Wahabism intolerance wherever Muslim communities exist?

Answer. Saudi Arabia has made important strides, both in coordinated steps with the United States and on its own, to combat terrorist financing. Most recently, on January 22, 2004, we jointly submitted the names of four overseas branches of the Riyadh-based al-Haramain Foundation to the U.N. 1267 Sanctions Committee for world-wide sanctions, including asset freezing.

The addition of these four entities made for a total of 10 United States-Saudi joint submissions to the U.N. 1267 Sanctions Committee since December 2002, the largest number with any country over that span, and we continue to work together to look for additional entities and individuals providing support to al-Qaida.

The Saudis have announced that they will establish a Financial Intelligence Unit (FIU) to coordinate government efforts to monitor and track suspicious transactions. The Saudis also enacted an Anti-Money Laundering Law last year which criminalizes terrorist financing and money laundering.

The Saudis have also removed cash boxes from mosques and shopping centers in an effort to enhance oversight and accountability of charitable giving.

We are awaiting the establishment of the Saudi High Commission on Charities, which was announced in 2004. If approved and fully implemented, the High Commission will ensure government oversight of all charitable giving overseas.

While there is more to be done, we are seeing clear indications that Saudi actions are having a real impact in terms of making it more difficult for suspect charitable branches around the world to obtain funding.

Question. Do we have a complete picture of all the regions where Saudi charities are active—or a list of countries they have specifically targeted?

Answer. The Saudi government supports relief efforts and educational programs in many areas of the world. Saudi officials have told us repeatedly that they do not support terrorists or terrorism anywhere in the world. We do have evidence that some individuals in Saudi Arabia provide funds to terrorists. Private contributions to HAMAS are a particular concern. Through our intensive, high-level dialogue with the Saudi government, we believe we have made important progress, but there is more to be done to see that funds in support of terrorism do not emanate from Saudi Arabia.

Question. How can the flow of funds originating in Saudi Arabia—particularly cash—be better monitored and interdicted?

Answer. The 2004 Financial Action Task Force (the FATF, which produced a set of recommendations which define best international practice as regards procedures to combat money laundering and terrorist financing) report for Saudi Arabia states that: “Significant steps have been taken to discourage large cash transactions and to encourage the use of bank transfers in order, inter alia, to improve the ability of the law enforcement authorities to monitor cash transactions. Saudi Arabia also monitors the physical movement of cross-border transportation of cash. The import or export of currency in excess of SR 10,000 must be declared at the border, or point of entry, and a record is maintained of declarations and investigations carried out if there are doubts as to the source of the money. Saudi Arabia applies strict controls on the movement of Saudi currency. Saudi banks are encouraged to buy any excess Saudi riyals that they may have accumulated in other countries, and persons leaving Saudi Arabia with large amounts of cash are encouraged to deposit the funds in a bank (and thus transfer the funds by wire or convert them to another currency) before departure. Consequently there is very little cross-border transportation of currency.”

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We will continue to work closely with the Saudis to better monitor cash flows and interdict illicit funding.

Question. To what extent are Saudi charities or other Islamic extremist organizations active in the Balkans and what specific activities are they involved in?

Answer. The vast majority of Muslims in Europe have no interest in and nothing to do with violent extremism. Hundreds of Islamic organizations are active in the Balkans ranging from business to NGOs, to political groups; the overwhelming majority are engaged in legitimate activities. In some cases, however, groups with extremists connections have been active in attempts at recruitment and Islamic extremists seem to hope to utilize the Balkans as a religious foothold in Europe and as a possible transit route to other locations. While some groups’ rhetoric has on occasion been vocally anti-Western, actual attacks have been all-but non-existent. Nonetheless, we continue to monitor closely the activities of possible extremist Balkan groups.

Question. Is there a rise in intolerance and extremism within Muslim communities in the Balkans as a result of these activities?

Answer. The vast majority of Balkan Muslims, like Balkan Islam itself, are tolerant and moderate. Despite considerable missionary effort over recent years by extremists, most Balkan Muslims have maintained their traditional moderate approach to religion. Nonetheless, extremist groups on the fringes of Europe’s Muslim communities continue to seek to recruit and propagandize, and particularly seek to target young people.

Question. In May 2003, American Cargo Pilot Ben Padilla disappeared—along with a Boeing 727—in Angola. Do you have any updated information on Mr. Padilla’s whereabouts, or information on his disappearance?

Answer. Neither the aircraft nor the missing pilot has been located. Over the last year, we have received several reports of sightings of the missing 727, but in each case, the sighted aircraft has been shown to be a different aircraft.

We and the FBI continue to monitor the situation.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Question. Mr. Black, I had a chance to read through some of Mr. Clarke's book, *Against All Enemies*. I should point out that he consistently praises your efforts to combat international terrorism.

In one part of the book, Mr. Clarke talks about Mossad's policy of assassinating terrorists. He writes: "The assassinations had also done little to deter further attacks on Israelis. Indeed, Israel had become caught in a vortex of assassination and retaliation that seemed to get progressively worse."

Do you agree with Mr. Clarke's assessment? As the United States moves forward with efforts to combat terrorism, how do we avoid the same trap?

Answer. We believe that Israel has the right to defend itself from terrorist attacks. We have consistently urged Israel to carefully consider the consequences of its actions. We are gravely concerned for regional peace and security, and have urged all parties to exercise maximum restraint.

Question. Mr. Black, Jordan has been indispensable in developing intelligence and helping to thwart attacks by al Qaeda against the United States. King Abdullah and the rest of the Jordanian Government deserve our thanks for the role they have played against terrorism, an in support of peace between Israel and the Palestinians—a role that has not always been popular with other Arab countries.

Unfortunately, our relations with other Muslim nations pales compared to our close relations with Jordan, and even that relationship is under stress with the King canceling his visit. After September 11th, there was an outpouring of good will towards the United States, including from moderate Muslim nations. That good will has been squandered, and today our reputation among Muslims around the world is in tatters. How do we regain the good will?

Answer. Outreach to Muslim populations around the world is a priority for the Department, especially in the context of the war on terrorism. Many of our public diplomacy programs and initiatives are aimed at the Muslim-majority regions of the world, including communities in the Middle East, South Asia, Africa, East Asia and Central Asia.

In order to strengthen our relationships with these communities, we must counter the false perception that the United States is anti-Islamic. In addition, we must demonstrate long-term and sustained commitment to the well-being of Muslim populations.

Our outreach to the Muslim world encompasses public diplomacy and development assistance programs that promote economic and political freedom, tolerance and pluralism in Muslim communities, as well as mutual understanding with Americans. We must not only provide assistance to these communities but be recognized for the assistance we provided.

Political and economic conditions vary by region and country, but in all regions we must increase exchanges of students, scholars and religious and community leaders, publicize U.S. assistance efforts more widely, increase youth programming, expand English teaching and broaden media outreach in local languages. For example:

- The Bureau of Educational and Cultural Affairs (ECA) provided \$40 million in fiscal year 2004 for programs for the Arab and Muslim World through their Partnerships for Learning initiative. The fiscal year 2005 budget funds this initiative at the \$61 million level.
- Under Partnerships for Learning, ECA is planning to bring 1,000 high school exchange students from countries with significant Muslim population to the United States in fiscal year 2005, a fourfold increase over fiscal year 2002, the first year of the program.
- The Bureau of Public Affairs is directing to the Arab and Muslim world at least 50 percent of Department TV co-operative projects, foreign media interviews, sponsored journalists tours, and video news releases.
- Thirty-four American Corners are currently in operation in cities with significant Muslim populations. The Bureau of International Information Programs is working with NEA and SA to establish forty-three more American Corners in those regions, including ten in Afghanistan and fifteen in Iraq.

While we will continue to engage Islamic leaders and influential elites, we must also reach those young people who are the critical next generation in the war on terrorism.

The President's Middle East Partnership Initiative (MEPI) integrates policy, public diplomacy and development and technical assistance programs throughout the region. MEPI's mission is to support economic, political, and educational reform in the Middle East and North Africa and to champion opportunity for all people of the region, especially women and youth.

Question. In my opening statement, I mentioned the memo written by Secretary Rumsfeld. One of the other things he writes is—and I am quoting—“the cost-benefit ratio is against us! Our cost is billions against the terrorists’ costs of millions.” What is your opinion of the Secretary’s assessment?

Answer. The asymmetrical nature of the war against terrorism is one of the factors contributing to its difficulty: in general, destroying things—particularly when one has selected and focused on a specific target—is substantially cheaper than defending an infinite list of possible targets, which is the task that confronts us and our allies. At the same time, our greater resources give us the ability to go after the terrorists in a myriad ways and in myriad places.

QUESTIONS SUBMITTED BY SENATOR BARBARA A. MIKULSKI

Question. Central Intelligence Agency Director George Tenet and Director of the Defense Intelligence Agency, Vice Admiral Lowell E. Jacoby have testified publicly as to the pressing threat that Colombia poses to U.S. interests. In his testimony before the Senate Select Committee on Intelligence, Vice Admiral Jacoby testified that “The Revolutionary Armed Forces of Colombia (FARC) remains the most potent terrorist threat to U.S. interests in Colombia.” Of note is that the “FARC’s perception that U.S. support is the direct cause of the Colombian government’s recent successes, increases the likelihood the group will target U.S. interests in 2004.”

Similarly, George Tenet testified that “The FARC may increasingly seek to target U.S. persons and interests in Colombia, particularly if key leaders are killed, captured, or extradited to the United States. The FARC still holds the three U.S. hostages it captured last year and may seek to capture additional U.S. citizens.”

As part of the “Anti-terrorism” package, the U.S. increased military presence and aid to Colombia. Since 2001, we have given over 2.5 billion in aid and significantly increased our military presence.

Has increased U.S. engagement in Colombia turned what was essentially a national revolutionary resistance and terrorist group in Colombia into a terrorist group that specifically targets and directly threatens the United States?

Answer. The Revolutionary Armed Forces of Colombia (FARC) have had a long history of planning, threatening, and conducting terrorist attacks in Colombia, since its creation in 1964. The FARC have been responsible for conducting bombings, murder, mortar attacks, narcotrafficking, kidnapping, extortion, hijacking, as well as guerrilla and conventional military action against political, military, and economic targets in Colombia. Before significant increases in U.S. Government assistance to Colombia, the U.S. Government recognized that the FARC’s terrorist activities threatened the security of United States nationals and the national security of the United States, first designating the FARC as a Foreign Terrorist Organization (FTO) in October 1997. In March 1999, the FARC murdered three U.S. Indian rights activists on Venezuelan territory after it kidnapped them in Colombia. The U.S. Government holds the FARC responsible for the safety and welfare of the three Americans it currently holds hostage and for any attack that it conducts against U.S. interests in Colombia, regardless of U.S. assistance levels to the Colombian Government.

United States assistance to Colombia is dedicated to help the Colombian Government strengthen its democracy, respect human rights and the rule of law, and end the threat of narcotics trafficking and terrorism. To do so, we are carrying out programs to provide training, equipment, infrastructure development, funding, and expertise to the Colombian Government and civil society in the areas of counter-narcotics and counterterrorism, alternative development, interdiction, eradication, law enforcement, institutional strengthening, judicial reform, human rights, humanitarian assistance for displaced persons, local governance, anti-corruption, conflict management and peace promotion, rehabilitation of child soldiers, and preservation of the environment.

Question. During this year’s annual threat report, CIA director George Tenet warned that “al-Qaida has infected other organizations.” He said that “even as al-Qaida has been weakened, other extremist groups within the movement have become the next wave of the terrorist threat. Dozens of such groups exist.” He named the Zarqawi network as an example.

Al-Zarqawi, the Jordanian who is suspected of committing the Madrid bombings, is viewed by intelligence officials to be at the forefront of the next wave of terrorist threat. The next wave identified as fluid elements that are known to be collaborators of Osama bin Laden, who share his ideology but are more diffuse and operate outside his control.

The Zarqawi network and another group with an al-Zarqawi affiliation, Ansar al-Islam, have been blamed for continued bombings in Iraq. The groups are suspected to attack Iraqi and foreign targets, especially Shiite pilgrims or Iraqi police and hotels inhabited by foreigners. Their aim is sowing discord and perhaps civil war and raising opposition against U.S. occupation.

Tenet further testified that our main challenge now is “preventing the loosely connected extremists from coalescing into a cohesive terrorist organization.” He said that we had started to see a “few signs of such cooperation at the tactical or local level.”

(a) What is your assessment of the reach of these new diffuse organizations? What is our strategy to deal with these emerging threats?

Answer. Locally-based groups ideologically linked to, but operationally distinct from al Qaeda, like those that carried out the March Madrid bombings, may represent the wave of the future. The threat we face is a global one and we prioritize responses to enable us act in an appropriate and effective manner to address differing challenges in different regions. The key to addressing immediate threats lies in developing timely, useable intelligence in conjunction with partners around the world. In the medium and longer terms, we must ensure that law enforcement and judicial authorities have the tools they need to prevent terrorists from achieving their objectives. In many countries, a government’s inability to find, arrest, and prosecute terrorists is the main impediment to coping with the threat. We have therefore initiated cooperative programs designed to increase partner nations’ will and CT capabilities and to build ties among United States and foreign CT communities. These programs include long-term capacity-building efforts in border security, criminal investigations, intelligence support, and training/advice to combat terrorist financing, as well as a robust Anti-Terrorism Assistance program to bolster the CT capabilities of law enforcement.

Question. (b) How would you categorize the impact of the Zarqawi network and Ansar al-Islam on disrupting our reconstruction efforts and inciting opposition, especially among the Shia, against the United States?

Answer. The violence and intimidation committed by the Zarqawi network, Ansar al-Islam and other terrorists and insurgents has clearly had an impact on the scale and pace of reconstruction. Nevertheless, we have made a great deal of progress in rebuilding Iraq’s infrastructure and services and in preparing for the handover to an interim Iraqi government on June 30. New roads, bridges, schools, hospitals have been built; provision of local services like electricity and water, has been extended in many parts of the country; advisors are assisting Iraqi officials to develop strong, functioning institutions; many countries are engaged in training Iraqi police and security forces. The vast majority of Iraqi citizens—Sunni, Shia, Kurd, Turkomen, and others—want peace and freedom and a better life for their children. We will continue to pursue the terrorist organizations so they cannot take this future away from the people of Iraq.

Question. (c) What is the status of the Kurdistan Worker’s Party or PKK? How has the United States-led occupation of Iraq affected the PKK?

Answer. In April 2002 at its 8th Party Congress, the PKK changed its name to the Kurdistan Freedom and Democracy Congress (KADEK) and proclaimed a commitment to nonviolent activities in support of Kurdish rights. Despite this pledge, a PKK/KADEK spokesman stated that its armed wing, The People’s Defense Force, would not disband or surrender its weapons for reasons of self-defense. In late 2003, the group sought to engineer another political face-lift, renaming the group Kongra Gel (KGK) and brandishing its “peaceful” intentions, while continuing to commit attacks and refuse disarmament. Kongra Gel now consists of approximately 4,000 to 5,000 members, most of whom currently are located in a remote mountainous section of northern Iraq. Kongra Gel has claimed to be under a self-imposed cease fire, but they have continued to engage in violent acts in Turkey—including at least one terrorist attack—against the Turkish state in 2003. Several members were arrested in Istanbul in late 2003 in possession of explosive materials.

The United States is committed to the elimination of the PKK threat to Turkey from Iraq. President Bush has said there will be no terrorist haven in a free Iraq, and that includes the PKK.

QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

Question. In January, USAID released a foreign aid “white paper” arguing that given the broad range of national security threats facing the United States, including the threat of terrorism, foreign assistance must go beyond more traditional humanitarian and development objectives. The white paper outlines five key operational goals that foreign aid should address: (1) promoting transformational development; (2) strengthening fragile states; (3) providing humanitarian relief; (4) supporting U.S. strategic interests; and (5) mitigating global and transnational ills. How do each of these goals contribute to making foreign aid a better tool and instrument for American policymakers in the global war on terrorism?

Answer. Foreign aid can be a powerful CT tool for achieving our medium and long-term CT objectives. The five goals cited are designed to make it as effective as possible. Achieving these goals will enable us to better attain our overall objectives of defeating terrorist organizations with global reach by diminishing the underlying conditions of poverty, ignorance, intolerance, and desperation that terrorists seek to exploit.

As I noted in my opening statement, we recognize that in many of the countries where we work, the overall institutions of the government and society are not sufficiently robust for the task of aggressive counterterrorism programs. For this reason, institution building is vital and all those tasks serve to do so. We should take the necessary steps to strengthen the institutions of our partner nations and thereby move less developed countries closer toward their full potential in combating terrorism. At the same time, we must also encourage and work closely with other international donor nations to provide resources and expertise in support of this goal.

Question. How do you respond to those who argue that poverty is not a root cause of terrorism; that other factors, such as economic isolation and U.S. foreign policy positions that are perceived as being anti-Islam, are more important at getting at to the heart of why America faces this threat?

Answer. Whole libraries have been written about the “root causes of terrorism.” Obviously, all of these factors contribute to the problem we now face. It is difficult to assess the true motives of these killers, apart from their desire to spread death, terror, and chaos. We have clearly seen their willingness to make outrageous claims and demands on the civilized world, and use whatever stated motivations are most expedient for their crimes.

Question. In terms of the terrorist attacks that we have seen in recent months, the connection between failed states and the roots of terrorism appears to be more indirect than we used to believe. Instead of operatives coming out of places like Sudan and Afghanistan, for example, we seem to be witnessing the emergence of local terrorist organizations in states like Turkey or Spain taking up the goals or ideology of Al Qaeda. How do you use foreign aid to fight an ideology that emerges in a relatively wealthy state? With this emerging successor generation of Al Qaeda-associated operatives, from the perspective of counter-terrorism, are we missing the point in directing our resources toward so-called front-line states. Where exactly is the “frontline.”

Answer. Unfortunately, the “front line” is everywhere. The threat we face is a global one and we continually monitor regions that could serve as terrorist sanctuaries. To that end we prioritize our responses to enable us act in an appropriate and effective manner to address differing challenges in different regions. Al Qaeda itself, now serves as an idea and an inspiration to a decentralized worldwide extremist network that exploits weak CT regimes and global linkages to recruit, raise funds, spread propaganda and plan and conduct terrorist attacks on almost every continent. The changing nature of the terrorist threat puts a focus on capacity building and on working with partner governments to build and sustain international will to continue the effort.

Question. What specifically would you say has been the effect of the war in Iraq on the roots of terrorism in the Middle East? In what demonstrable way is foreign aid to Iraq reducing the terrorist threat against the United States and its allies?

Answer. The war in Iraq removed a brutal dictator from power, eliminated a state sponsor of terrorism, and greatly reduced the ability of terrorists to freely use Iraqi territory for training or safehaven. A free, independent and democratic Iraq will have a positive effect on the region. In addition, the U.S. works through many different programs to develop other countries’ will and capacity to fight terrorism and, through economic development and political reform, to diminish the conditions that terrorists exploit to advance their violent ideology. Enhancing security by helping the Iraqis defeat terrorists and criminal elements is one of the key elements of U.S. assistance to Iraq. The United States and allied nations are engaged in an extensive

training program for Iraqi Police and Security forces; more plentiful and more capable security forces are critical to defeating insurgent elements within Iraq. U.S. assistance funds have also been prioritized to generate employment, stimulate economic activity, and provide immediate assistance to areas threatened by the insurgency. Additional State Department programs include Anti-Terrorism Assistance training, terrorist financing and anti-money laundering assistance, border security assistance and training, and diplomatic engagement. Activities and programs such as the Forum for the Future and the Millennium Challenge Account help strengthen our partners to more effectively combat terrorism.

Question. If terrorists are increasingly using the advanced technologies like the Internet to do such things as coordinate operations, to find information about weapons of mass destruction and recruit members, how are we ensuring that we provide foreign aid in such a way that we avoid enabling members of terrorist organizations to be more effective?

Answer. We seek to target our assistance to address key CT weaknesses in partner countries and work with our more capable partner to assist countries where the will is there, but abilities are limited. Rigorous screening of NGO program participants and others, as well as follow-up on programs and projects helps prevent misuse or diversion of U.S.-provided resources, including knowledge and technology.

SUBCOMMITTEE RECESS

Senator McCONNELL. Thank you all very much. The subcommittee will stand in recess to reconvene on Tuesday, May 18.

[Whereupon, at 4:17 p.m., Wednesday, April 21, the subcommittee was recessed, to reconvene at 10:30 a.m., Tuesday, May 18.]